

THE COMMITTEE ON STANDARDS IN PUBLIC LIFE

**Broadway House, Tothill Street, London
Thursday, 9 December 2010**

Review of Party Funding Morning Session

Members Present: Sir Christopher Kelly (Chairman)

Sir Derek Morris MA Dphil
Dame Denise Platt DBE
Dr Elizabeth Vallance JP
Dr Brian Woods-Scawen DL CBE
Lloyd Clarke QPM
David Prince CBE
Oliver Heald MP

Witnesses: Bernard Hughes, Head of Government and Public Affairs (ASDA)
Bryon Taylor, National Trade Union Liaison Office (TULO)
Professor Keith Ewing, Adviser to TULO
Martin Bell,
Howard Lake, Director Fundraising UK

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BERNARD HUGHES

1. SIR CHRISTOPHER KELLY (Chairman): Mr Hughes, you are very welcome, thank you for coming and thank you for your opening statement, which we have all read and, if you are content, we will read into the record. Would you like to begin by introducing yourself?
2. BERNARD HUGHES: Yes. My name is Bernard Hughes, I am Head of Public Affairs for ASDA. I have been in the retail industry on and off for over 20 years and I joined ASDA 7½ years ago. I was consultant for a period of time and before that I was Head of Public Affairs for Tesco up until 2001.
3. SIR CHRISTOPHER KELLY: Thank you very much. Can I begin with a very general question which is why do you do it? Why does ASDA donate to political parties?
4. BERNARD HUGHES: I think the first thing for us to make clear is that we only donate because attending at party conferences or advertising in publications connected with party conferences or regional conferences trigger the donation. So we do not sit down and say, "We will give X to Plaid Cymru or Y to the Conservatives". It is because we decide to go to party conferences that that then becomes the donation. So we donate purely because it gives us a service, i.e. attending Labour Party conference or the Conservative Party conference. I have got pictures here of our stand that we have had for the last two years at the Conservative conference where we are promoting our relations with small businesses and farmers. So it is the attendance at events and receptions, because the regulator decided, it ends up being declared as a donation. We never ever write a cheque and post it. It is always, "We want to do this" and then we negotiate around the price, et cetera.
5. SIR CHRISTOPHER KELLY: But the piece of paper I have in front of me, which is not from you, says that you donated very small amounts to the South Shields CLP and the Enfield North CLP, £400 and £300.
6. BERNARD HUGHES: Yes, there are two things on that. First, I should clarify that there is a company called ASDA Property Group, which is absolutely nothing to do with ASDA and every so often we get a phone call saying, "You went to Harlow" and I go completely blank. It happens twice a year, we trace it to this property company that seem to constantly give money to the Conservative Party. It is nothing whatsoever to do with us.
7. Enfield and South Shields: Enfield was, I think from memory, we donated a product for a healthy living schools initiative hosted by the MP Joan Ryan for that area. So we said, "All right, you are having a festival of food and health" so we said, "Fine" and we donated that. South Shields, I am pretty sure was because we took an advert in a regional event, or it may have been connected with a regional conference. I think the South Shields party may have been the organisers. But those very small donations are nearly always, "Could we have a raffle ticket?" and sometimes I know about it and sometimes

the store just go, "Yes, we are happy to help the local MP and the charity". It is very small, £50, £100 that I probably might not even know about.

8. SIR CHRISTOPHER KELLY: But the bulk of the still relatively small amounts is the cost of stands at party conferences?
9. BERNARD HUGHES: Absolutely.
10. SIR CHRISTOPHER KELLY: Why do you go to party conferences? Why do you incur that expense? What do you get out of it?
11. BERNARD HUGHES: Well, I suppose we are interested in our reputation and having a good reputation, and at the heart of going is actually marketing and public relations. Live example, this year and the year before we had a stand at the Conservative Party conference to talk about our work with very small suppliers. We have a series of hubs around the country with micro business, work with specialists so they can access ASDA and we are very proud of that because there is a public debate around supermarkets and farmers and small shops. So funny how we have an exhibition for two years saying we are doing good things with small businesses and farmers. We also go because we are conscious that ASDA is quite a big player in the Leeds area, our head office is in Leeds, so we have had events with the Labour Party for a number of years; the Yorkshire and Humberside reception we sponsor and we have sponsored the equivalent for the Conservatives.
12. So it is an opportunity to get good messages across, our branding across, marketing. Also a party conference is a very condensed way of seeing a lot of people. I do not want to get pompous here but it means we are also accountable. So I spend half my life on the stand with the trade associations coming up to me, and NGOs saying, "I have a bone to pick with you, can we have a coffee and talk to you about X". So we are there partly for public relations, because we have got a good story to tell, partly because it is efficient, you can see people in a condensed period of time, and also I think as individuals it is now part of the cycle of public relations. You go to the conferences in the autumn, every year we have a debate should we go, should we not go because it costs money from my budget. Do you we go? It is very banal things, you are out of the office for three weeks and it is also tiring to stand on a stand all day and be questioned. So it is branding, marketing and public relations.
13. Also we are conscious that it is goodwill to Yorkshire and Humberside politicians that we host their reception. We are a massive, massive employer in Yorkshire. It is goodwill.
14. SIR CHRISTOPHER KELLY: But do you not want goodwill from the Liberal Democrat Party?
15. BERNARD HUGHES: Yes, we attend the Liberal Democrats as well. We sponsored the Scottish and Welsh reception at the Liberal Democrats this year and we have sponsored last year a lecture by Nick Clegg on Britishness,

what it means to be British, because we would argue that, by definition, ASDA represents what is happening in Britain. It was diversity in Britishness.

16. Also, I should have been really clear, we are absolutely even to all the parties as far as we humanly can be. We go to SPM as well. We do not go to Plaid but we have recruited a Welsh affairs manager so we will go to Plaid, and Northern Ireland we are still trying to sort ourselves out there. But it is essential that we are even-handed to all parties.
17. SIR CHRISTOPHER KELLY: Are you essentially reactive, you stand by your stall and people come to you, or do you, as a result of being there, get access to people to put across any particular message that ASDA may want to get across to people who are attending the conferences?
18. BERNARD HUGHES: We try to be proactive but public relations people always claim they have got grand strategies and plans, but half the time you cannot get the person and you kick yourself for not having had more pre-booked meetings. Half of them are cancelled anyway. So we try to be proactive. It is about going to get our case across and also to see what the competitors are up to, but also it is reactive in the sense that we have a problem in that lots of opinion makers do not come into ASDA because we are not in London and the southeast. We have a fantastic sustainability record so we have to take space to communicate that. Other companies are luckier that they have lots of stores where opinion makers can go into.
19. SIR CHRISTOPHER KELLY: It sounds, from what you say, as if what you are doing there is much more about creating an impression of ASDA as being a really good responsible company rather than wanting to influence any legislation that there might be about taxes on paper bags or anything like that?
20. BERNARD HUGHES: Yes, it is overwhelmingly marketing and communications. Supermarkets are very good at spotting trends and reacting quickly. Maybe other sectors are not. So we tend to think, "Right, there is a big row going with some farmers, let us make our stand about rural small shops, sustainability we want to win". We are pretty much thinking of what is coming next. It is what is in the DNA of retailers and supermarkets. Other sectors might be in the bunker fighting via the courts. I cannot think of a time in the 20 years I have been in the industry that we have said to government, "We will see you in court, you do not have the power to do this". It is nearly always, "Fine, okay, but we need a year" or, "Can we do it this way?"
21. SIR CHRISTOPHER KELLY: Thank you.
22. LLOYD CLARKE QPM: To me you are describing something which is clearly defined by policy within your organisation. Do you have a cap on how much money you will spend at political events within your budget?
23. BERNARD HUGHES: Yes, absolutely because the budget will close in my department in about five days. We are negotiating finance and then it is shut. If I needed money I would have to go in front of a risk and ops

committee and it would it would have to come from somewhere else. So here is the budget, bang. In fact this year we spent very little money for the first eight months because I was obviously thinking there might be things in the autumn. So I am always thinking, "Do I want to give £10,000 to that? No." It is about budget, the limit. We sit in the marketing function and the political relations bit is a tiny, tiny part of that.

24. LLOYD CLARKE: Sure. What might influence you, not just you but the company as a whole, to increase the size of that pot? Might it be, for example, a competitor who you see as spending more money and bigger stands, bigger stalls, maybe bigger footfall through the stand or whatever, might that influence you? Might there be a particular policy, whether it be about planning or whatever else? Could those kind of things influence you to spend more?
25. BERNARD HUGHES: Yes, localism is a huge challenge for supermarkets. We are governed by London, Edinburgh, Cardiff, Belfast, Brussels and hundreds of local authorities. So the move towards localism is a huge challenge for all the supermarkets because for 20 years we have delivered national policies - except for the products on the shelves, they are truly local obviously, we have Halal where it is relevant et cetera - but the public policy world has been, "This is the national approach to alcohol pricing" or to something else. Localism is clearly occurring so the company's response was a Scottish affairs manager we have recruited and is in place, and is now heading regional affairs for us, and a Welsh affairs manager because we persuaded the exec, the board, that there is a torrent of regulation coming at us and we do not have the structures to influence that. If the manager of the Grantham store is used to spending two minutes at the lights to get in and all of a sudden it is four minutes, someone has made a decision somewhere. How on earth are we supposed to manage that?
26. So, yes, the company is aware that there are things we will need to fix and manager. We do not have a plan, we are still discussing it. But what would be the best response, the response I would want as the person responsible, would actually be headcount which is the bigger win for a person in organisation rather than, "Here is an extra £5,000".
27. LLOYD CLARKE: So if those kind of things might influence the total budget that you would be prepared to spend, it seems to me what you were describing, as it were, was also a principle that you would spend a similar proportion on each of the political parties. Is that a fair comment or not?
28. BERNARD HUGHES: We would try to but, to be honest, it depends on what is available to sponsor. I am not going to sponsor something that is a complete waste of money or why on earth would ASDA want to sponsor X, Y, Z, how could I justify that? Last year the Conservatives, at their conference, had a retail space that was free. We were there, Marks and Spencer's and we thought, "Wow". Of course it cost us a lot of money because we had to build a stand and hotel costs. Finding out how hotel costs rocket during party conference season, certain cheap hotels, you think, "I cannot believe that". So

it is very expensive. But we went to the Conservative Party conference because they said, "We are thinking of doing a retail space". So that is why we went. I hope that has answered your question.

29. LLOYD CLARKE: Yes, okay. That is helpful.
30. BERNARD HUGHES: We really do have to be fair to all because in Leeds, Bradford, Yorkshire we are surrounded by politicians who have been in government and we would not be able to look them in the face if we did not do something locally. It is like having a big factory, they come for a cup of coffee with the manager. So we have to do that.
31. LLOYD CLARKE: How do political parties come on to you? Are they always knocking on the door, is your phone constantly ringing, "Give us, give us"?
32. BERNARD HUGHES: Literally we would get a pack in spring and early summer from the conference teams. "Here is the pack, here is what it will cost, there are opportunities for sponsorship" and we sit on it for three weeks and then start to make calls and negotiate what is available. They nearly always try to sell you the one thing you know you should not buy, which is some reception you know no one will turn up to and it has absolutely nothing to do with ASDA. My job is not to get flattered by the words "international something" because why would I respond to that. So we then negotiate.
33. I have got a very good team. We are also thinking who do we want to talk to. What messages do we want to get across. The whole process is always a nightmare over the summer as you try and stitch these things together. In fact in the past when people have said, "Why are you here?" I have had the pleasure of saying, "Because you invited us".
34. LLOYD CLARKE: Yes, okay. Last question from me. You also, it seems to me, described something which allowed discretion, maybe, around the stores. You were saying somebody may come from a local party and, yes, we will give you £50 or whatever. What discretion do you have at local level for money to go, for example, to political parties in that kind of way, very small but if you were aggregate it across the country?
35. BERNARD HUGHES: I would think overwhelmingly very little money goes - this is where my grammar collapses. It is by exception that somebody might know the MP or the councillor or, yes, you have got a children's event, it might be hosted by Labour or Liberals, "Yes, I will give you something". You know, a case of eggs for a raffle. So it is by exception, it does not really happen.
36. There are very clear guidelines for general elections as to what the visits may look like, the number of people, please notify us, and the guidelines go out. But to be honest, there have been guidelines issued around the charitable trust, and one clearly cannot give money from the foundation obviously, but the guidelines are probably not fantastic because life is busy

and the managers do not exactly go in and check everything on that. It generally does not happen. I would not want to give you the impression that the ASDA manager in X is giving lots of money out. They do not want to spend money for politicians. They might want to do it for the children's charity but nearly always it will be connected to having a schools' day or a veteran's day, which is quite popular, "Could you donate a raffle prize or a voucher for George?" Yes, they might do that. I have turned them down centrally thinking, "No, I am not going to do that".

37. LLOYD CLARKE: Sorry, and one real final question, you are describing how ASDA deal with it, are you aware if that is like a common thing across the sector - so your competitors Sainsbury, Tesco, whatever - is it a similar kind of thing that you are aware of or not? I am not asking you to speak for them specifically but generally.
38. BERNARD HUGHES: My general knowledge would tell me that I think Tesco is the most advanced local activity because it has far more stores than us and they have had lots of problems locally. They have regional people in place and I would imagine that they are more advanced but we also have a very good ASDA foundation where for Children in Need we will match funding if the stores raise X. We have a very robust charitable policy. For example, with the recession we have allocated £1 million for colleague hardship because we expect in the next three to four years our own colleagues may face difficulties. We suddenly realised, "What about our own people who might lose something or be made redundant" so we have done that, but that is the charitable side.
39. I would think others are doing it. If you have 300 stores or 1,000 stores or 500 and those supermarkets have been in a town for 25 years, with Children in Need and Tickled Pink there is going to be an approach. Some MPs have surgeries in our stores, some councillors might call in and just answer questions. They are going to say, "We are having an X day, any chance of a raffle prize?" It will happen. We talking £50, £25, so I want to be very open to you that may well happen.
40. LLOYD CLARKE: That is helpful, thank you.
41. SIR DEREK MORRIS MA DPhil: Probably the main reason that this inquiry is occurring is an ongoing perception, and perhaps a reality, that sizable donations can buy or are designed to buy certainly access, maybe influence. That is clearly of public concern. It sounds to me from what you have said, and do correct me if this is wrong, that from ASDA's point of view none of this really is political. This is about brand recognition, PR, marketing. What you have described at political conferences might just as well have been a business conference or a technology conference or an agriculture conference, it is part of ASDA's business strategy but it does not have a political dimension in the sense of donations designed to get access and influence on the legislative process; is that correct?

42. BERNARD HUGHES: That is exactly correct. We go to agricultural shows up and down the country, the Good Food show - we probably did not go to that last year but shows like the Good Food show and agricultural shows, yes. However, clearly if we have a very famous politician comes on stand and has a photo with us that makes us feel good, of course it does. You might get three or four minutes explaining how we are paying very small businesses almost on the day, the next day. Of course professionals like myself and my colleagues who are the buyers would do their best to put the company's case across. Absolutely. But for us it is branding, marketing, goodwill with local politicians and also the ability to see NGOs and talk to them. Definitely. Anybody who thinks that you can change a law by going to party conference is mad, wasting their money.
43. SIR DEREK MORRIS: But if it is right that from ASDA's point of view this is not really a political donation, on the other hand it manifestly is a contribution to party funding My question is, because there are very specific rules about how corporations must act if they are making political donations, do the sorts of funding that you provide go through internal balances and approvals?
44. BERNARD HUGHES: Yes, I am subject to my company's ethics guide. As a senior manager I am particularly accountable to that and there are very clear things of what we can do and what we cannot do as officers of the company. So the ethics guide is the number one. The second thing is a common sense. If a think tank says do we want to sponsor something around the nation's dire or low income shoppers and health, I would email my team and email my line manager or chat to them, "What do you think?" It is a consultation because I am spending the team's money. I consult, someone might say, "Total waste of time" or somebody else might say, "Great idea" so we would discuss it, our resource. Above that - and I do not want to make too much of it - I am truly accountable to an ethical code.
45. I suppose the third process would be - this is where it is difficult to describe - a kind of common sense value for money process. Why would I want to sponsor a think tank £10,000 to do an event that 14 people might turn up to. It is an element of judgement, consulting colleagues, the law. One of the key things in the ethics guide is I am obviously not allowed to break the law of the land in which my company trades but also I must act with integrity and have regard to diversity and other things, so I am governed by those.
46. SIR DEREK MORRIS: But if this was funding that is actually supporting political parties, do you not seek board approval and, indeed, shareholder approval?
47. BERNARD HUGHES: That would only be through the departmental strategy. We present our strategy to the board every year and we would say we will go to party conferences and they would approve that, "Yes, that is fine, that is agreed". Shareholder approval: our parent company is Walmart, a US company, so they have incredibly clear rules. They have a pack that they give equally to the Democrats and Republicans; simply we would never think that.

So they are also accountable, I assume although I am not an expert, through US law but because we are wholly owned by them the accountability comes in the US.

48. The biggest accountably, Sir Derek, is through customers. The biggest nightmare I could have would be 50 customers that phone in about why you did something at a Liberal Democrat conference. That obviously would be hugely embarrassing, so we have to be even-handed.
49. SIR DEREK MORRIS: Are there any valuation problems? If you are providing support in forms other than cash but in kind, do you have problems of how you value for accounting purposes the value of the amount that you have contributed?
50. BERNARD HUGHES: No, not in the UK we would not because the donations are pretty small. So for the technical accounting that would be something I would not know about. However, in terms of how I would value something, we have made a decision that it is just incredibly painful to provide wine for a reception at a party conference because the hotel whacks you for £12 corkage, so the ASDA Cava arrives, they charge you £12 for the corkage, you have to get it there and it is just ... so we used to do that because obviously we would want people to be sampling the lovely orange juice and I just thought life was too short. So now we always say if the wine is warm it is the hotel's problem. It honestly comes down to somebody has to get the ASDA wine to Blackpool or to Birmingham these days.
51. SIR DEREK MORRIS: Perhaps you can help us on something that was put to us in other evidence. This was the suggestion that parties might offer space for corporate stands and very significantly inflate the price so that perhaps £1,000 would be enough but they charge £3,000 and the extra £2,000 is funding for the party but it would not, of course, count as a political donation because from the point of view of the company it would just be an expenditure on stand. Are you aware of that type of practice going on as a way of disguising political support?
52. BERNARD HUGHES: I would not think it is disguising support but I would be astonished if the parties were not making a margin on the stand or the reception, because why would they want to do it then? They are not saying how wonderful to have ASDA do this, they clearly think they can make some money. However, I guess it is like having dinner at a conference or reception, you are feeding your Yorkshire people or whatever on a Tuesday night, they get together, they have not seen each other. So I would think part of it is the culture, an event for Yorkshire or Scottish night. I think it is that the parties have to have the conferences so how can they reduce the massive cost. Commercial space is rented out. Conference passes are now quite expensive and clearly it does not cost £900 to have me sit in a balcony for three days but that is what they charge. So I am sure it is a way of reducing the cost of part of the democratic process. Without getting too pompous, you have ASDA at a conference it means we are accountable to NGOs, maybe it cross-subsidises a small charity who also have a space.

53. The way the exhibitions work is it is like a huge festival. We could be next to the NUT or across the way from the RNT and there is British Aerospace on the big stand. We are all there and in that way it is hugely accountable because I am conscious that my competitors can think they are here on small and local, that is their plan. That is how I would read it.
54. SIR DEREK MORRIS: Just one last question in which I want to take you into a completely different realm. Supposing some time in the run up to the next election one of the major parties decided that its policy would be an absolute bonfire of local planning controls, particularly on retail businesses. They simply said, "We are going to have a free for all" which I guess might be of some attraction to a company like ASDA, how would ASDA decide whether to support that party and how would you go about doing it?
55. BERNARD HUGHES: I think the first thing we would do or would have done - if it is against us it is more likely to be a completely restriction - is we would have prepared our evidence over a period of time as to why this is in the public interest, what are the unintended consequences from the current policy. The coalition agreement contains proposals to give local councillors more powers around promoting local competition. We strongly support that. That was a recommendation from the Competition Commission. The last government looked at it. We strongly support that because of local monopoly black spots in 50 towns. So we support that. I guess our evidence, are we ready?
56. During the general election the Conservatives proposed a reduction in NIX(?), that was manifestly good for ASDA and for employment. We did not sign the letter during the election because we just thought it is during the election we cannot do this. So we held back, again, because of customers and other customers. But the policy is a very good policy. So we held back because we are always thinking we will upset customers, we do not want to get too political. But to go to your absolute question, I would obviously write a report on the manifestos and circulate it, and if one party had a proposal that would be seen as great news. I guess I would prepare the evidence to get ready and try and talk to the media about why that is good. But we would not be holding our breath for it to happen either because of the complexities along the way.
57. Yes, so companies take a view on, "That is good" "That is bad". But we are quite relaxed generally because supermarkets are pretty fleet of foot at adapting. Nearly always for us the key issue is the implementation process. More often than not with government we say, "You need to give us a year. We cannot implement it like that". The discussions are hardly ever ideological. Supermarkets are not lobbying on the ideology, it is merely, "That is going to cost us £15 million if you implement it like that". It is nearly always, "You need to give us a year".
58. We cannot change 370 stores overnight and manage and deliver this. That is where the rows occur often, about the notice period for doing things or

whether the proposals are dysfunctional on how they land. Our reputation is key, we would hate for anybody to think we were not even-handed.

59. DAME DENISE PLATT DBE: Are there any circumstances that you can envisage where you would not go to the party conferences?
60. BERNARD HUGHES: Yes, during the middle life of a parliament you tend to think, "Do we need to go?" We would scale down the activity because I think conferences are particularly important in the run up to an election and in the first, second year after. But in the middle of a parliament you would tend to drop down. Also attending conferences is about people going out of the office and doing stuff. If, for example, in Scotland our regional affairs manager was ill and could not attend a conference we might not go or we could not. So it is partly personnel but also I guess budgets as well. We would descale our activity slightly in quieter times. I would not want to mislead, of course we would.
61. DAME DENISE PLATT: You would go to the party conferences at times of maximum decision making impact around policies and manifestos but you are not going in the middle, so it is not all about influence?
62. BERNARD HUGHES: We always go in one way or another. We have nearly always attended conferences as far as I can remember in one way or another. In a way the question probably will never arise because we will always be there, a think tank or somebody will say, "We are going to do X, do you want to do it?" We are always talking to a think tank about an issue and they are saying to us, "What about conferences?" Yes, we would want to put our best face forward if there was big change coming. Of course, because it means uncertainty for us or risk or, again, we are trying to prepare for change.
63. DAME DENISE PLATT: You would go for maximum visibility at those times?
64. BERNARD HUGHES: Maximum visibility. Our stands at the conference are really based on the agricultural shows. We were selling product at the conferences.
65. DAME DENISE PLATT: So the money that you would pay out in sponsorship, events, stands as you are talking about are a form of political donation. Does it matter to you how that money is spent by political parties?
66. BERNARD HUGHES: No, not really. I think we go and we move on. Monday morning all of a sudden we are back in the office so it does not matter. I have always assumed that it goes on the air-conditioning, the carpet tiles and people's pay rather than on a particular project. Sorry, if I could just alter what I have said actually, if a party said to us, "Could you sponsor Yorkshire night and it is for our general action fighting fund?" then I would say, "That is a bit difficult for us, okay". Then it is just the Yorkshire party or the southwest. So again the appearance is important. But we certainly do not say, "What are you going to do with the money?"

67. DAME DENISE PLATT: Would it make any difference at all to ASDA if corporate donations to political parties were capped?
68. BERNARD HUGHES: I have thought about this one and it is a tricky one because it might do. I would not know whether there would be unintended consequences. I guess it depends whether the parties are only allowed to charge us £5,000. It depends whether it helps me as a customer of the party conference. The maximum price is £5,000 for a stand or whether it is you, ASDA, are only allowed to spend £10,000 on all your sponsorship. That would be something that I would say, "Hang on then, are you going to apply that same rule to campaign groups, to the anti-supermarket association that existed?" because, again, we go to conferences, we sponsor regionally to be accountable and to talk to people as part of the democratic process.
69. So if it capped that and we could not go, I think there probably would be unintended consequences. Maybe we would have to do more one-to-one meetings. Maybe think tanks would come out and say, "Actually if you come with us X,Y and Z". It might be a private dinner. There are very few private dinners I go to at conferences. They are much talked about. Maybe I do not get invited or tend to just be doing other things. But it might lead to third parties saying, "This is the way, you give to X and it is connected to a party". I think the system at moment is pretty obvious, accountable, NGOs can see Tesco's are here, ASDA are here, I can see different NGOs are here and therefore it is all on the table, often in a huge room, "Come and take the leaflet, here is what we are saying on issues". I think it is upfront, obvious and we are accountable. If we were capped I am sure people would come to us and say, "What about X and Y?"
70. I am uncomfortable because I do not know the unintended consequences.
71. DAME DENISE PLATT: So if institutional donations to political parties were banned here as in France, that is how your public affairs approach would amend itself, is it? Closer liaison with third parties, money for third parties to raise your profile?
72. BERNARD HUGHES: I suppose if we could not give it would be one of those situations where if I said to you, "Yes, that is a good idea" I am not responsible for the outcome of saying it is a great idea if NGOs pay more or parties cannot campaign, which is why I will not say it is a good idea. If we were capped I guess we would just carry on doing other things. I do not think we would be mysterious or particularly creative about it. I think these things are often a lot more banal, we would just be in Whitehall and in the stores and writing to people and trying to have coffee. I do not think there would be a, "Oh my God, we cannot go to conferences in September and October". We would be able to go away at a better time of the year definitely. September is a nice time to go away. But we would probably see people more directly. In reality, not being long-winded, think tanks and charities would say, "We are going to host an event and it is going to be at the party conference". We have

done things with charities before. We hosted a bit event for family charities the year before last. I am a trustee of Gingerbread so I was really pleased that we agreed to do that for obvious reasons.

73. DAME DENISE PLATT: So you get your exposure through different organisational routes?
74. BERNARD HUGHES: Yes, the dream is sharing the event with somebody else. That is the absolute dream because two organisations then worry about it.
75. SIR CHRISTOPHER KELLY: Thanks very much. Derek asked you what you would do if one political party started adopting policies that particularly favoured supermarkets and you said you would be very pleased but implied that you would not actually do anything to support that party other than have the evidence for the policy ready. Can I ask an analogous question which is you mentioned alcohol pricing about half an hour ago, if you really wanted to influence decisions that were being taken about alcohol pricing how would you exert that influence? As Head of Public Affairs for ASDA what would you do and would any component of that relate to contacts, either associated with funding or not, with particular politicians?
76. BERNARD HUGHES: Whitehall and the media. Absolutely it would be all about Whitehall, Department for Business, Treasury, Department for Health, the quality of the evidence. Members of the wine and spirit trade association or members of the British Retail Consortium, they would be pushing the view. Sometimes the industry is split of course and that is where you get the problem. But we would be in Whitehall, we would probably use economic arguments around the unintended consequences either way, and we would work closely with our press office. For the big, big problem that one day comes, you have the CBI, you have the VRC and then we would absolutely be in to Whitehall.
77. SIR CHRISTOPHER KELLY: So through the conventional mechanisms and that would be an entirely separate stream from what you might do at party conferences or what you might do to try and get private access to Ministers?
78. BERNARD HUGHES: At party conferences, on our stand I am pretty sure we had a message on the things we were doing around combating alcohol abuse. We have a £1 million fund for youth buses. We are working through business in the community, we put the money up so that youngsters in certain areas have constructive things to do. They go on a bus and play games rather than hang around street corners. So we would tell the politicians this is how we are managing the problem, it is under control. Like health, we have traffic light labelling on our products to show here is how we are taking care of stuff.
79. So the conference would be used to educate but absolutely Whitehall, in there arguing our case.

80. The RT HON MARGARET BECKETT MP: In other words you would prefer to see the person making the recommendation rather than the decision maker?

81. BERNARD HUGHES: We would try. If all of a sudden I saw the Secretary of State in the street or they had an ASDA, yes, of course we would invite them in because we would be worried about something. So we would have them in to talk to them about that. When the Sunday trading laws were changed in the early 1990s, I was at Tesco, that was a huge campaign by the supermarkets and, of course, we used the stores to contact senior politicians to show all the shop workers who were queuing up for the overtime. So, yes, for a big, big problem for our business we would do everything we can.

82. In Scotland at the moment, the Scottish Government is proposing a tax on retailers, an additional levy on the retail sector. They have said that will cost £30 million and they are seeking to raise it. So of course we are in there. The CBI is the top of the hierarchy because you try to get the common ground and then the other trade associations, but direct meetings in Whitehall.

83. SIR CHRISTOPHER KELLY: Thank you very much, Mr Hughes. Is there anything you want to say to us that we have not given you the opportunity to say?

84. BERNARD HUGHES: No, I would just reiterate that the company is very, very careful to have even-handed relations with a lot of Labour politicians who are very important to us because of our depots and stores; we have Conservative politicians, they are in government; and we have Liberal Democrats. The picture for companies is going to get a lot more complex in the years ahead with localism. Local authorities are getting more power so there is an emerging complex agenda. Thirdly, much of this is a lot more banal than some commentators think. It is about an exhibition space that is very similar to our agricultural shows and it is about public relations, putting our best case forward, conscious that our competitors are also trying to do that as well.

85. SIR CHRISTOPHER KELLY: Thank you very much indeed.

86. BERNARD HUGHES: Thank you very much.

BERNARD HUGHES AND PROFESSOR KEITH EWING

87. SIR CHRISTOPHER KELLY: Our next witness is Bryon Taylor, the National Trade Union Liaison Officer for TULO. You are very welcome. I am slightly surprised but pleased to see Professor Ewing with you.

88. You have been kind enough to provide us with evidence - very clear evidence, if I may say so - and an opening statement which, if you are content, we will just read into the record. You can be sure we have all read it.

89. If you just take 30 seconds to explain what TULO is and what it does, I think that would be helpful to the Committee.
90. BYRON TAYLOR: TULO has been in existence since 1994 and prior to that there were various predecessor organisations in one form or another. But essentially the role of TULO is to provide a forum away from conference floor and away from the glare of the media where affiliated trade unions and the Labour Party can discuss issues of mutual concern. It does not have any formal status in terms of the policy making processes of the Labour Party but if you look at the history of the Labour Party and the trade unions, there have always been concerns about tensions between the trade unions and the Labour Party and often that has been seen a precursor to difficulties in the relationship. Historically I would think of the dock strikes of 1951, or In Place of Strife at the end of the 1960s, or even the so-called winter of discontent at the end of the 1970s, and so the idea and purpose of TULO in sense is to provide somewhere where affiliated trade unions and the Labour Party can talk.
91. Since 1994 I think we have had a number of achievements of which, although I have been here since 2002, I think TULO is very proud. If you look at the organisation of the trade unions certainly we have brought some of the campaigning techniques from other countries. If you look at how the American trade unions have operated in the last few years in developing new campaigning techniques in the grounds, or even Australia. I think we are very proud that we have learnt from those techniques and brought them to the trade unions in the UK. We have contributed significantly towards the development of key policy areas. I think possibly the key examples of these are the Warwick agreement. I am sure members of the Committee would have heard of Warwick 1 and Warwick 2 which were essentially trade unions coming together and talking to the Labour Party about their concerns. As a result, through the policy process, coming to a series of agreements of key policy. Although whether or not they were implement is a moot point.
92. We also act as a collective voice of the affiliated trade unions on other issues. Agency workers was a major issue for TULO over the last few years but we also act on issues of international solidarity. For example, we have supported the Justice for the Miami 5 campaign over the last few years. So we act as a collective voice for the affiliated trade unions I think is the easiest way of stating it.
93. SIR CHRISTOPHER KELLY: Thank you, that is very helpful. Clearly there is a lot of concern that this Committee will misunderstand the historic relationship between the unions and the Labour Party and we have received a fair amount of material on that, including your own evidence. Of course you can see from the composition of the Committee that we have our own sources of information on that.
94. I do not particularly want to dwell on that in this session because I think there are other things to focus on but if there is anything that you wanted to

say about that, anything you wanted to flag up particularly that you think we might misunderstand or not give sufficient importance to?

95. BRYON TAYLOR: I think everything has been covered elsewhere in your questions. If the intention is to deal with the questions presented then I certainly think we will cover everything and we have certainly thought through those questions and our responses to them and we think we will cover everything there. Obviously at the end I know, having been present at a lot of these sessions, you have given other colleagues the opportunity to make closing statements and I think we would rather do it that way if there is --
96. SIR CHRISTOPHER KELLY: I am very happy to do that. I said that because I think what we would really like to focus on is your views on the Hayden Phillips' proposals and why those were not acceptable. I think by doing that we might cover in practice most of the relevant material.
97. But just one very general question which does relate to the relationship between the unions and the Labour Party. That is from the point of view of a member, an individual member, of a trade union, what does that member actually gain by paying an affiliation fee which goes through the union rather than a membership fee to the party directly?
98. BYRON TAYLOR: The difference between affiliated membership and individual membership, which has existed within the Labour Party pretty much since the inception of the Labour Party. In fact at one point the only way in which you could join the Labour Party was through affiliation. Until 1918 Sidney Webb's constitution, prior to 1918 the Labour Party was effectively an umbrella organisation. If you wanted to be a member without being a member of a trade union you joined the Independent Labour Party, which my parents were members of.
99. SIR CHRISTOPHER KELLY: I think we have got the history, my question relates to the present. What is that an individual member gains by affiliating rather than being a member?
100. BYRON TAYLOR: I think an affiliated member is effectively participating in the political work of their trade union. It is the trade union as a collective that affiliates to the Labour Party. Somebody who is affiliated to the Labour Party is supporting the political work of their trade union in terms of the participation of that union within the Labour Party and the attempt to achieve political objectives of the trade union. But they also gain certain benefits. For example, the right to participate in the leadership election, or the right to participate in parliamentary selections through the structure, trade union branches, for example, will be able to nominate candidates for selection processes.
101. PROFESSOR KEITH EWING: Can I speak? I think people know why I am here. I have been working with TULO for a long time on these issues and although I have had meetings with members of the Committee on other issues, it was explained in advance of these meetings that I would be working

principally in this process with TULO. But coming back to the question, the point I would make on the question of affiliation, it is not the individual who affiliates. I think that is a crucial point. So the affiliation is a process by which the trade union affiliates as an organisation with the Labour Party. As an organisation we will affiliate with the TUC or with global union federations or with other joint organisations.

102. The individual's role here, in a sense, is quite an important issue because as we are moving to a more individualised society we are forgetting that there are still collective organisations and collective processes which are still to be cherished and encouraged, and this would be one of them. So it is crucial, I think, to keep in mind that what we have is a legal process whereby the trade union affiliates with the Labour Party and it is the trade union in its organisational capacity which becomes a member of the Labour Party and is subject to the discipline of the Labour Party and may be expelled from the Labour Party, as RMT was expelled in 2004 for breaking the rules of the party.
103. In a sense the individual is a levy paying member, and some members are not levy paying members, so the question really is, what are the benefits to the individual trade unionist to pay the political levy? I think you speak to people and you get various answers to this. One answer with some people is that, "I support Labour but I do not want to join the party. I am prepared to make a contribution and to make some kind of commitment but I would prefer to stand back and to support my politics with a long spoon, thank you very much." So you get a bit of that.
104. Secondly, you get also from people, "Well, I want to get involved" because, as Byron pointed out, what it does for the individual is to provide a platform in which they can engage in the development of political policy or on issues which are of particular interest to them, and by working with the union or with the branch or other parts of the of the union, they feel that they have more strength in a sense, it is empowering to work with a group of people who are pushing a particular line which you happen to share. So the reasons why people join a trade union, which is to get the benefits of joint membership of an organisation apply equally to the political work of the union as it does to the industrial work of the union. There is nothing special or different about it.
105. DAVID PRINCE CBE: Can I follow that up with some questions about membership and affiliation, particularly in the section of your evidence where you comment on Hayden Phillips from page 20 onwards, around some of these affiliation member issues. Can we just start with the level of information that a member gets about their rights when they join the union in relation to political levy. If I look fairly randomly at some application forms for unions, for example Unison, that is very explicit. There is a couple of boxes to tick because they happen to have the two funds and it is very clear and easy, on others it is much less so and we have heard evidence that it is not particularly easy. That the members are not given sufficient information either to come into a particular levy or come out of it. Can you comment first of all on the level of information that is provided and what TULO's view is around whether it

is right at the present time, whether it is at the right level or whether there does need to be an extension of it which was suggested in Hayden Phillips.

106. BYRON TAYLOR: Of course, yes. It is a requirement for unions to inform members of the political funds of the trade union upon joining. I think the information contained about the political fund, including the right of opt out is actually contained in that information. I think that is fairly easily accessible. I am not aware of any trade union that does not have access to those rules now online and I think it would be equivalent to what you would see in a company handbook about people's rights in working for an organisation. The same for the membership of the organisation, like any other club, it is available within the membership rules. That is at the point of joining but I do not think it would be true to say that trade unions do not provide information about their relationship with the Labour Party. This is not a secret relationship, I think any cursory examination of a union journal will show the activity and involvement of the trade unions in the Labour Party. Union members are able to opt out 24/7. It is not something that is a long convoluted process to go through. If a union member wishes to opt out of the political activity of their trade union they can do so quite clearly as laid out in the rule books or even by speaking to their branch secretary or higher official. They can arrange to make that opt out.

107. I think it is also worth remembering that union members automatically get a vote on the decision whether or not to maintain a political fund in the trade union through the mechanisms of the ten-yearly political fund review ballot. So, union members, yes, Unison does have the opt outs because of its particular system, which is actually a product of the history of the trade union, but other unions, there is not an opt out box on the membership forms. That information is available to union members and they are able to exercise that should they want to.

108. PROFESSOR EWING: In terms of the information which has to be provided, this since 1913 has been regulated by law. Like all organisations, trade unions are subject to legal control on these questions. You may think it is not enough but it is more than happens to any other organisation which engages politically. On the specific question which you raise, if you take the rule book of a trade union and the rule book of a trade union must contain the political fund rules which are set out by the certification officer. He has to approve the political fund rules of trade unions. These rules then go into the rule book of the union. The certification officer is a government appointed public official.

109. DAVID PRINCE: Yes, I understand that.

110. PROFESSOR EWING: The rule book makes it quite clear that any member of the union is entitled to be provided with a copy of the political fund rules, there will be in the rule book a copy of an exemption notice which members are entitled to fill out and to send to the branch secretary or to some other source within the union, and in addition to that the legislation currently in

place, the 1992 Act, provides that anybody - anybody, not just a member of the union but anybody - is entitled to a copy of the rules of a trade union.

111. If you go on to Google, you can Google Unite rules and you get a copy of the Unite rule book in which all this information will be set out very clearly.
112. DAVID PRINCE: That is helpful. Can I just go back to Byron's point about the 24/7 opt out, because it is sometimes said that in practice that is not so easy. I have heard it said that you go to a so-called helpline and you actually get quite a hard sell not to do it. Does any of that resonate with your experience, that in practice, although these facilities that you both described exist when it comes to practice and you want to cease making the political levy it is actually a process of dissuasion and it is quite difficult to achieve or discouraging to achieve?
113. BYRON TAYLOR: As someone who has not actually opted out of paying the political fund in my trade union, I do not have experience of that process. I have spoken to a number of affiliates over the last few years on this matter and I have to say that is not my understanding of what is happening in individual trade unions. I would not recognise that situation.
114. Obviously there are other persons who make other representation in their evidence, but that is not the experience that I have had or the experience that I understand happens in trade unions.
115. DAVID PRINCE: That is reassuring. Can we come on --
116. PROFESSOR EWING: Can I just say on that point, this is not something which has just come out of the air in recent years. I have got material here going way back to 1960s in which these complaints have constantly been made by people who are not friends of trade unions or friends of the Labour Party. The issue was examined by the Royal Commission on Trade Unions and Employers Associations in 1965, they found no evidence to stand up these claims. It was examined by the House of Commons Select Committee on Employment in 1983, they found no evidence to stand up these claims despite claims being made by the Director General of this organisation, the Engineering Employers Federation, that this was a problem.
117. Then your predecessor Committee in 1998 also received similar claims but again found no evidence to sustain or to justify any claims of this kind. The two other points I make is that why this is not such a problem is because within trade unions, and I remember in the 1980s when I was much younger, there was an organisation called The Service of Trade Unionists which were very active and I think they performed a great service within the trade union movement. They were very active and they made sure that people were made aware of this right, and were given forms and were able to fill them out without any difficulty whatsoever.
118. At the present time the Scottish National Party has engaged in the same kind of exercise in Scotland in relation to trade union members there.

So they are always within trade unions, groups of people who make it their business to ensure that people find out what these rights are and encourage them to exercise them. In relation to the point you made about difficulty from branch secretaries, well you do not have to go through a branch secretary, you can send off your exemption notice to the certification officer, and you can completely short circuit that process.

119. So, in a sense, this is a problem which is not a problem, it is a problem which is a fantasy which is created by people who wish to undermine and destabilise these relationships. They are obviously a soft touch, a soft target, an easy target for people to identify, but once you start saying to people, "Well, provide the evidence that there is a problem and provide the evidence that the remedial structure for dealing with any problems that arise does not work, where is the evidence?" Silence.

120. BYRON TAYLOR: In terms of union hard sells, if I can just also add to this point, the Plaid Cymru set up a website for this very purpose in 2008 and actually took away any element of any member having to contact a trade union other than except through the form of an email. I cannot see how that would be open to such means of dissuasion other than once the exemption form has been sent in that person is removed from the political fund.

121. SIR CHRISTOPHER KELLY: Can I throw that point back to you, Professor Ewing? If there is no evidence but this point still continues to be made in a way which must be extremely irritating, is there not a fairly simple way of dealing with it, which is for TULO to suggest to the other affiliated unions that all of them have as straightforward a membership form as Unison does in terms of visibility of willingness or not to pay to the fund. I understand the point about the unions already being subject to considerable regulation. But rather than be irritated by it - and I understand your irritation - is there not some simple way of dealing with those who might have other reasons for wanting to criticise what happens?

122. PROFESSOR EWING: There is not, is there, because the focus of attack would just move somewhere else. This is a problem that comes up every generation, very 20 years, somebody suddenly thinks that this is an issue which is worthy of giving a run out. It is 1960s, 1980s, every generation. Every ten years or so this becomes an issue which has to be dealt with. I think it is unfortunate that Unison is sometimes set up as some kind of model for everybody to follow because the Unison model is a very peculiar unique arrangement.

123. SIR CHRISTOPHER KELLY: I am just using that as an example.

124. PROFESSOR EWING: They have that because they have two funds in the sense they give their members a choice. They have two funds so the application form contains this information because members have to decide into which fund they wish their money to go if they wish to pay the political levy. But Unison is a very unusual organisation which --

125. DAME DENISE PLATT: It is an amalgamation of two unions that are completely separate. The history and culture are separate so it has two funds.
126. PROFESSOR EWING: The amalgamation of two cultures, yes, exactly.
127. SIR CHRISTOPHER KELLY: I understand that. I was only using that as an example. The reason, of course, that we are asking questions about this is not because we are interested in the issue per se. It is because clearly one of the issues the Committee has to consider is putting a cap on donations and then you get into all these sets of issues as a consequence. So what I am really asking you, despite your irritation at having to defend yourself every generation, is there not some straightforward way of responding to the demand for transparency?
128. BYRON TAYLOR: Just a point on the opt out. I think it is important to remember where the opt out actually comes from because, let us be clear, it undermines the collective nature of trade unions. The opt out was created as a result of the 1913 Act. That was a very different era from that in which we operate today. In 1913, we had the concept of the closed shop and the opt out was created to ensure that people who were in the workplace who did not want to support the Labour Party could be a member of the union and yet not pay the political levy.
129. At that point, if you were not a member of the union, you could lose your job and also let us be clear. At that point, it was an era when, if you lost your job, you could also lose your house and often then the two were tied together. So the opt out was set up for a very specific purpose of ensuring that people did not have to support the Labour Party. The regulatory framework in which we live has changed substantially since that point. I think that some of the problems which people suggest today actually arise from the origin of the opt out but the opt out in itself would undermine the collective nature of trade unions.
130. SIR CHRISTOPHER KELLY: Thank you, I think I understand that. As I say, what I am really interested in is dealing with the circumstances of today and to test whether or not if a cap were to be imposed and the desire was to allow trade unions to continue to pay affiliation fees to the Labour Party, is there not some simple way of responding to the Hayden Phillips wish to make that more transparent? But I suspect that we have exhausted that and I should allow David to continue rather than taking up his time.
131. DAVID PRINCE: Thank you. Again, thinking about transparency, assuming I am a member and I have ticked the box and gone through the loop that we have just been describing. Is there sufficient transparency, do you think, or do members have a sufficient role in deciding how the political levy is actually spent? They have contributed their money but how do they get to influence what it is spent on?

132. BYRON TAYLOR: The first thing I would say just in respect of the political fund, it is not just the individual decision to remain in the political fund or opt out of it. Also you have to bear in mind that trade unions are lay democracies and members of trade unions have the right to participate, not only to stand for election but to vote in internal elections and decide how their union is conducted.
133. We live in the wider society within representative democracy and trade unions operate on the same basis. If a union member wishes to participate in the operation of the political fund, they are able to stand for election and to participate to take a role within the activities of the political fund. Even if they do not want to stand for internal election, they can vote for internal elections. Let us be clear. There are groups within trade unions who have stood candidates on the basis of “democratising” the political fund but what it generally means is moving away from support for the party that the union already supports. The internal processes are internally democratic and union members have the right to participate in those processes.
134. But in terms of the relationship between trade unions and the Labour Party and the collective relationship, if union members do not want their trade unions to put money into the Labour Party, then they have the right to promote an argument that says, “We should not affiliate with the Labour Party.” If you look at the experience of trade unions over the last 20 years, a number of trade unions have in some cases repeatedly faced motions at their annual conference to disaffiliate from the Labour Party. So you have the individual right to opt out of the political fund; you have the collective right as a trade union to disaffiliate or affiliate to the Labour Party and, at the end of the day, there is still the political fund review ballot where there is a ballot of all union members as to whether or not the union wishes to conduct political activity: an individual, a representative and a collective right.
135. Let us be clear. If you do not want to affiliate to the Labour Party, if you do not want to see any money from your union going to the Labour Party, you opt out of the political fund. If it is a real problem that your union is paying monies into a political fund and from that fund supporting the Labour Party, you can join another trade union. Only half of the unions with political funds are affiliated to the Labour Party. For example, if you work on London buses and you do not want to support the work of the union who are supporting the Labour Party, you can join the RMT.
136. DAVID PRINCE: That is helpful. Following on from that, can I perhaps take you to page 22 paragraph 51 of your evidence there and what you say about the linkage between the payment of the political levy and the level of affiliation and you then go on to say TULO supports a range of affiliation models. How far does the individual get to influence then the level of affiliation models and why did the Hayden Phillips emphasis, as referred to in that paragraph, cause you so much concern? It is really two questions. I am inviting you to amplify on the cause for concern that is on line 4 of that paragraph and then you say TULO supports a range of affiliation models. I am interested in how far the individual then gets to influence that level of

affiliation if you want to add anything to what you said previously on that.

137. BYRON TAYLOR: Okay so you are talking about the Hayden Phillips proposals on affiliation?
138. DAVID PRINCE: Yes, why did those cause you such concern?
139. BYRON TAYLOR: In a sense, the basis of the trade unions' frustration with the proposals made by Hayden Phillips was that he is effectively proposing a system of one to one affiliation which is almost impossible to support and conduct internally. Let us be clear. Trade unions are not perfect membership organisations and I think there have been recent cases in the High Court which have pointed to that fact. If you look at the recent RMT case or the case involving the United strike ballot, actually unions are no better membership organisations than other groups in civil society or political parties.
140. The reality is that trade unions are moving organisations. People join trade unions. People leave trade unions. It can be on a weekly basis. If you have an issue in the workplace, you can find membership suddenly increases in a particular workplace. Similarly, if a workplace closes, membership can decline very rapidly. The idea that you can maintain one to one affiliation rates in real time and recognise people coming in and people coming out of a political fund is actually quite a burdensome task. Let us not forget that the trade union's primary purpose is to unite people in an economic sense and conduct their activities in an economic sense. Political fund activity accounts for less than 2 per cent of trade union funds in total. This is a very small area for trade unions in their wider work and the proposal that they should conduct a one to one real time affiliation would create a panoply of regulation and bureaucracy that trade unions would find very difficult to actually manage. It is also important to recognise that the ...
141. PROFESSOR EWING: There are two other concerns we had at the time. One was a concern of principle which we felt quite strongly about. That relates to the point I made earlier which is that this proposal for this one to one relationship which is fine, some unions do practise this and that is perfectly acceptable, but what was being proposed here was that the State, through these proposals, would be effectively dictating to political parties what form of relationship they might have with affiliated organisations. Our view was that this was a collective relationship between a trade union as an entity and a political party and it is not for the State to determine how that relationship should be governed. It is really for the members of the union to decide what kind of relationship they want to have with the Labour Party as it is in this case. So we felt on that issue that there was an issue of principle in the sense that we were being forced into forming a party organisation which really denied the legitimacy of an organisation such as that of the Labour Party which had been founded as an organisation of associations. Now, for us, why is that not an acceptable way to organise a political party if the people of this country are prepared to support that? Ultimately, it is the electors who should decide what the appropriate form of party organisation should be. It should

not be for the State. So that was one issue.

142. The other issue we had was really a question of practice, a practical problem which arose, some of which Byron has referred to. And the practical problem is this and it is a very simple problem in the sense that the affiliation fee at the time and still I think is £3 per member which is what the trade union which affiliates will pay to the Labour Party multiplied by the number of people who are affiliated. Now, the problem was that there were some trade unions at the time whose political levy was less than £3 a year so the political levy was less than the affiliation fee. So we could not have a one for one arrangement unless we were prepared to say to these unions you will have to be disaffiliated. We will have to lose the bakers, we will have to lose the entertainment workers, and we will have to lose other workers who had a long and fine tradition of affiliation to the Labour Party. And we felt that it was not for the State to say to these union conferences you are going to have to raise your affiliation fee or your political levy if you want to continue to affiliate to the Labour Party.

143. Now that problem is diminishing but there are still unions which are in that position but not only that. There are unions which have variable political levies. So there are unions in which the standard political levy will be above £3 a year but they will also have a reduced rate for retired or unemployed members. So we know, for example, the trade union which for some members has a political levy, an annual political levy of 15 pence a year. Now it is impossible for that union to affiliate these members to the Labour Party. A one for one in practice sounds like a great idea and some unions do practise that but in practice to impose it on everyone is simply impossible without interfering again too much in the internal affairs of the party and its supporting organisations. So we stood on the principle of freedom of association which we felt was quite compelling in these circumstances and I would invite you to give serious consideration to the importance of freedom of association as a fundamental principle in these deliberations.

144. BYRON TAYLOR: The question I would almost ask back to the Committee, is it really appropriate for the State to create further regulation and bureaucracy to manage this system of affiliation just to ensure that the Bakers, Food and Allied Workers Union only gets two delegates at the Labour Party conference?

145. OLIVER HEALD MP: Can I ask you a question arising out of that, Byron? What was being argued during the Hayden political process was that this is not a payment by an organisation which needs to be capped at £50,000. This is a lot of individual contributions that are being made, donations by individuals, and it therefore should be disaggregated and each individual member's contribution or donation ought to be considered as an individual donation. That was the argument that was being put forward in Hayden Phillips. But what you are saying, Byron, is that that is not true. Actually this is a collective payment. It is decided collectively at the centre how much money is sent and it is wrong to disaggregate it and to treat it as lots of individual donations because that is not what it is. If the union wanted

to decide to send less money, it could. It could decide not to send any at all. This is something that is a collective decision. Is that correct?

146. BYRON TAYLOR: Yes, it comes up to this point that it is a collective relationship between the trade union and the Labour Party. I have heard it suggested that some unions are over-affiliating to the Labour Party. I only know of one example where that is actually occurring and I think that union in question is actually as a result of the fairly significant and difficult economic climate it faces and the closure of various numbers of its plants. Even in that case, it is a very, very small number. I can get into the details if the Committee wants to explore that particular issue but the reality is that yes, it is indeed a collective relationship. I think it would be regarded as bad practice across the Labour movement if a union was over-affiliating and causing significant over-affiliating on a significant basis and in effect having undue influence within the party related to their membership. But surely if the union under-affiliates and actually exercises less influence, then that is not a great problem on the part of that union.
147. OLIVER HEALD: The point about it is that there was a disagreement within the Movement between the Labour negotiators who were arguing that these were individual donations that should be treated as each member's affiliation fee, a separate donation, and the trade unions who just did not agree with that. They said, "This is a collective payment we make and we can decide how much or how little it is. It is not up to the individual members. They can decide whether they are paying the levy or not but we decide how much is sent." That is true, is it not?
148. PROFESSOR EWING: Not quite. We could present this argument in slightly different ways. It is a decision which is taken by the union through the democratic structures of the union. It is important to remember I think that trade unions are voluntary associations which operate on democratic principles and procedures whatever the press may say otherwise. There are lots of reasons why a union will under-affiliate and will not pay on a one for one basis, quite apart from a political reason.
149. OLIVER HEALD: But it is a collective decision, exactly. It is not an individual relationship at all.
150. PROFESSOR EWING: Exactly, that is exactly the point, but there is no need for us to be pejorative about that. That was precisely the point I was trying to make at the start.
151. DAVID PRINCE: Can I just follow up on that particular point? In paragraph 52, fourth line, you do actually say the political fund is the property of the trade unions. When we look at things like, for example, Peter Watt's book, he makes quite a bit of the fact that the allocation of those funds gives considerable power and influence to the general secretaries of trade unions. That in turn leads to wider content about the role of figures within the trade union on a par with big donors elsewhere. So you are recognising there that it is a collective decision and that is some distance from the individual members

on the allocation of funds?

152. PROFESSOR EWING: The point is I think that it is the trade union which is a member of the party. It is the trade union collectively which decides what an actual relationship with the party is going to be and so far as we are concerned, that is a perfectly legitimate form of political organisation. Why can organisations like trade unions, organisations of people, not create a political party for the representation of their views in parliament or elsewhere? It is a perfectly acceptable form of organisation which is practised in this country as indeed in other countries. So we have no difficulty with that.
153. In a sense I think again it is a caricature to say that general secretaries would be throwing their weight about with their wallets. General secretaries have to act in accordance with the wishes of the executive committees to which they are accountable and in accordance with the wishes of their conferences to which they are accountable and, indeed, in accordance with the wishes of their political fund committees to which they will be accountable over which issues may actually have autonomy over these particular questions. So it is not quite right to say that these are decisions which will be taken unilaterally by the general secretary of the union.
154. There are lots of reasons why a trade union may decide not to affiliate on the pure basis of levy paying members one of which we have already mentioned which is the fact that the political levy of the union is less than the affiliation fee of the Labour Party. But the union may decide to under-affiliate because it wants to use its money for other political purposes so it may want to save some money back for political campaigning. There are other unions, which again has never reached the press, which in the past have under-affiliated because they do not want to exert too much influence within the affairs of the Labour Party so they deliberately under-affiliate in order to under-represent their interests within the affairs of the party. So all kinds of reasons which explain the operation of the relationship but it is a collective relationship of individual contributions and there is no difficulty about that.
155. SIR CHRISTOPHER KELLY: I suspect it might be possible that we are in danger of over complicating this issue and that what you are telling us, although important, is actually an argument against a point of view which no one is putting forward. If the decision were to be to cap donations, then some decision has to be made about what happens to trade union affiliation fees. That is the only reason this issue arises and the principle might be that you could regard the affiliation fee as being equivalent to individual donations even though there is a philosophical problem with actually --
156. BYRON TAYLOR: No, you see, you are squeezing --
157. SIR CHRISTOPHER KELLY: Wait a minute, wait a minute.
158. BYRON TAYLOR: You are squeezing --

159. SIR CHRISTOPHER KELLY: Let me finish, even though there is a philosophical problem because, as Oliver says, it is really a collective donation. But nevertheless if you are trying to find a way through this which is both right and acceptable you might say that there are two conditions: (1) people should not be able to over-affiliate because that breaches that principle and it is not obvious to me why there should not be a rule that you should not over-affiliate; that might be an interference with the rules of the Labour Party but it does not seem to be an enormous one particularly as you have said, Byron, that that would be regarded as bad practice anyway. A lot of your argument has been about not being allowed to under-affiliate and I do not see why the logic of where Hayden Phillips was implies that you cannot under-affiliate. The point is much more that you should not be allowed to over-affiliate but under-affiliation - for the reasons you have given - seems to be perfectly compatible with the principle I have just enunciated. And (2) that you could be absolutely certain that those affiliation fees were freely given and that takes us back to the discussion we had about transparency and whether it really was as clear to individual members as possible.
160. BYRON TAYLOR: Can I just return to this point about transparency? With regards to the suggestion about Labour negotiators and comments that Peter has made, there are people inside the Labour Party who hold a different view about the trade unions and we have seen recently in the press there are some in the Labour Party who believe that trade unions should no longer be a part of the Labour Party.
161. SIR CHRISTOPHER KELLY: This Committee is not concerned with that issue.
162. PROFESSOR EWING: It is when you raise evidence and present evidence to us in the sense. I mean, there are different views within the Labour Party.
163. BYRON TAYLOR: I think Peter has always been fairly clear about where he stands but in terms of trade unions there are three things I would like to point out here: (1) the system we have has operated for a significant period of time. There has not been any complaint to the independent ombudsman in the form of the certification officer during the last 20 years barring 1 and that was in 2010 and that was a case against Unison and the root cause of that was should funds come out of the general political fund or out of the affiliated political fund relating to 1 branch in Scotland. There is no legion of complaints in the last 20 years that has suggested this process is not working. (2) In terms of transparency can I run through the information that trade unions have to supply to the ombudsman every year in relation to their internal operations?
164. SIR CHRISTOPHER KELLY: I would rather you did not. I would be happy if you wanted to give that to us out of this hearing but I would rather use the hearing to focus on other points.
165. BYRON TAYLOR: Then can I just return to the point about community and their over-affiliation because you have embraced it? Let us look at

community which affiliates, off the top of my head, on the basis of about 31,000 members you only have 25,000 levy-paying members. Community was a substantially larger union until the industry in which they operate closed in 2005. In the last 18 months they have lost Teeside, Red Car; these are big companies that have lost a lot of members.

166. However their over-affiliation is 6,000 members and the union tells me they are conducting a review and they expect to bring their affiliations into line. But this is partially the problem. The industry has not got time; they are desperately trying to defend union members' jobs. The idea that they can say, "This is the number of levy payers; this is our number of affiliates; we will do it overnight". They are conducting the review; I would expect them to be in line fairly shortly. But let us not get this problem out of proportion. This is 6,000 people in an affiliation of over 2.5 million. That equates to 0.003 per cent of the basic Labour Party conference. That over-affiliation is (a) minor and (b) very, very unlikely to have any influence whatsoever in terms of conferences, policies or leadership of the Labour Party.

167. SIR CHRISTOPHER KELLY: We are much more interested in understanding what are the key points which stood in the way of your agreeing to Hayden Phillips' proposals. That was one part of it; you have explained it. It does not seem to me to be a major issue one way or the other.

168. PROFESSOR EWING: There is one other issue. Do you want me to explain what the other issue was?

169. SIR CHRISTOPHER KELLY: We will come onto that. Derek.

170. SIR DEREK MORRIS: Good morning. I was going to ask you about donation caps. It was clear from your submission that you do not agree with the Hayden Phillips proposal of a cap of £50,000. Is some part of that opposition in effect opposition in principle to having caps? I am not concerned particularly with the figure but for the purposes of discussion let us centre it around £50,000 for the moment. Do you have an objection in principle to a cap like that?

171. PROFESSOR EWING: That is a very hard question. It is clearly a problem, the large personal donations to political parties. I suppose I am speaking personally. The question is really - not speaking personally now - how best to deal with this in a way which does not undermine the structure and constitution of one of the main political parties of the state. So for us I suppose a donation cap of whatever size looks like a real threat to the structure of the Labour Party because the whole Labour Party framework is based on the idea of affiliation and you affiliate roughly on the basis of the number of people who pay their levy and the party reflects the level of affiliation of the union to the party. We have for a number of years been concerned about how it would be possible in practice to operate a system in which there was a donation cap which could operate consistently with the structure and organisation of the Labour Party.

172. The second point - which is the point I was going to make in relation to Hayden Phillips £50,000 cap on top of affiliation - is the problem for trade unions is that trade unions affiliate a party but they also engage in what is referred to a symbiotic relationship in the sense the trade unions do work with the party at various levels of party organisation. One thing which is done I think quite importantly is the work which is done at a local level of building up, supporting and sustaining constituency organisations in the absence of any effective state's support for that activity in this country.
173. If there is going to be a £50,000 cap on donations in addition to the affiliation fee that would cut across that kind of activity and would put a limit on the amount of activity which individual unions could engage in. Again we ask: what would be the public benefit in a system of this kind?
174. BYRON TAYLOR: Can I just add to that point? I do support donation caps in principle. I think it is a very glib and easy solution to party funding issues that people perceive to be in existence at this time. If donation caps worked then everyone would be happy but there is no evidence they work. We are not considering this problem in isolation. They have donation caps in the US and other European countries. Where those donation caps exist you cannot say that they have found the Holy Grail of party funding, and party funding issues have been resolved. They simply have not.
175. As a result, if donation caps are implemented - whether it is £50,000 which I am stridently against for reasons which Keith as alluded to and I suspect we will come onto later on - the damage it will do to the relationship between the trade unions and the Labour Party would far outweigh any of the problems that you are seeking to resolve.
176. SIR DEREK MORRIS: That is helpful. It generates in my mind four questions. The first is notwithstanding your arguments in the end there was a cap, you mentioned in passing that you would particularly oppose £50,000. If there were to be a cap what level would you be more content with than £50,000?
177. BYRON TAYLOR: It would have to be significantly lower. The average wage in the UK is £26,000 a year.
178. SIR DEREK MORRIS: You are against a cap, and you are doubly against a cap as high as £50,000.
179. PROFESSOR EWING: A cap of £50,000 is a problem because it is so high but the lower you bring it down the more intrusive it is for the constituency of trade unions for the Labour Party. In a sense the £50,000 cap seems offensive certainly if you are going to crystallise it in law, but if you bring it down much lower than that, what about all this work that unions do with constituencies? Are you happy to have that swept away?
180. BYRON TAYLOR: To return to the point of a £50,000 cap. At that level in the last quarter before the general election the Conservative Party received

225 donations of between £25-50,000. The Labour Party received 38. The funding basis of the party was founded in the 19th century in this country. The Labour Party was created outside parliament through the contributions of ordinary working people to challenge the established wealth and power contained within the Conservative and Liberal parties as represented in parliament.

181. The essential basis of party funding in this country has not changed. The Labour Party remains funded mainly by working people, whereas the Conservative Party remains funded by the wealthiest in our communities.
182. SIR DEREK MORRIS: You have answered my second question which is: the major reason we are sitting here is a longstanding perception - perhaps a reality; I do not know - that large donations can buy access and maybe undue influence. That is essentially the problem that kicked off this inquiry.
183. You have put up cogent arguments for not having a cap. Do you have the view that there is not really a problem of the sort I have just described? Or are you saying, "Yes, there could be that problem. We just do not think for the reasons you have given that a cap is the right answer"? In other words, is there a problem of large donations buying undue influence that still exists if we accept your argument that we should not have a cap?
184. BYRON TAYLOR: I can only talk in terms of the position of the trade unions but I certainly have absolutely no evidence that large donations are buying or have bought influence over the last period of the Labour government. If it did there would be no reason for the existence of my organisation, TULO.
185. Coming back to the Warwick agreement, it was through the policy processes of the Labour Party - the unions operated together - to act in concert to try and promote certain policies. An example of one that came out of Warwick 1 is agency workers which was contained in Warwick 1, contained in the Labour manifesto but the trade unions had to fight very hard through internal structures of the Labour Party to ensure that that issue was carried forward. Nationalisation of the railways was a trade union issue which was passed at the Labour Party conference 2004. Was it in the manifesto in 2005? No. Did the trade unions campaign for it? Yes. Did the Labour Party do anything? No.
186. PROFESSOR EWING: Here is a better one: 1997 Tony Blair --
187. SIR CHRISTOPHER KELLY: That is not really answering the question though, is it?
188. BYRON TAYLOR: That is about trade union influence. My question is are you worried that somebody can give £100,000, £200,000 - maybe more - and get undue influence on policy as a result?

189. PROFESSOR EWING: If that is the case it would be naïve to think that a contribution cap of £50,000 annually would solve the problem because as I said to this Committee previously, large donors do not give large donations every year. If I wanted to give £250,000 to a political party, the political party would say, "We can help you with a donation plan. Why not give to us £50,000 every year?" "But I want to give you £500,000." "Why does your wife not give me £50,000 every year as well."
190. SIR DEREK MORRIS: These are reasons why a cap might not be practical. What I am asking you is do you think there is a problem with large donations.
191. SIR CHRISTOPHER KELLY: Either of substance or perception?
192. PROFESSOR EWING: Is there a problem of big donations buying favours?
193. SIR DEREK MORRIS: Or a sufficiently severe and widespread perception of that, that it corrupts the political process?
194. PROFESSOR EWING: There may be a perception of it. You cannot take the issue of political donations outside a wider context of political activity by individuals or organisations, whether companies or whatever. It is only one small part of a much bigger jigsaw puzzle of influence within our system. So you might take a sticking plaster to this particular problem but you will not solve a problem because the influence will move elsewhere as I think we heard in the last session.
195. SIR DEREK MORRIS: Can I press: is that puzzle and that jigsaw in your view a problem?
196. BYRON TAYLOR: I am very much aware that there are allegations and have been allegations within our political system that money buys influence and there have been various cases within the press. There have been no court cases resulting from those. There has been no conclusive evidence that this has indeed been the case; only the suspicion. Perception is one thing; the reality may be another. We can only answer from a trade union perspective.
197. PROFESSOR EWING: What I would say is whether or not there is an issue it is much better that the money is kept public and people can see the flow of the money in question from whatever organisations or individuals to political parties. If you close down this particular route to the supply of money influence will simply move elsewhere. Are you going to take on the power of the press to influence political decision makers? Are you going to take on the power of lobbyists and commercial organisations to influence political process? How far are you prepared to go with this? The problem is you simply deal with one aspect of the problem and you leave unresolved all these other problems but there is real influence and real pressure on the political process.

198. SIR DEREK MORRIS: In view of the time I will just put a concluding point to you: what you are saying I think - which is very consistent with the thrust of the evidence that you gave us - and it looks to be a statement of no change; there is no need for change. There is nothing we can do to improve on the present - less than ideal perhaps - arrangements. Is that a correct interpretation of your position?
199. PROFESSOR EWING: I would not go that far. Our position on this is that the legislation was introduced in 2000. It identified a number of problems. We are beginning to deal with these problems. The legislation needs to bed down and be given a proper opportunity to operate. The parties themselves have to accept responsibility for the fact they operate in a new legal environment. The Electoral Commission has to raise its game to deal with the problems which exist but there may be other things that can be done. The thing which no one is talking about which I think ought to be done is consistently the sum of things we have been saying earlier today: there is a need to give members of political parties responsibility to take decisions about these questions of contributions. Why should this be a decision of the state through legislation? Why can this not be a decision of party members? We impose a duty on the parties to have in place a framework in which the level at which donations are accepted is set by members of the party operating annually through their conference or decision-making procedure and to allow that to be enforced in some way which could be created for this purpose.
200. SIR CHRISTOPHER KELLY: I am interested in hearing Mr Taylor's response.
201. BYRON TAYLOR: I would just add to this that if you look at what has happened since the introduction of the 2000 Act and in relation to the 2010 election the influence of Bearwood Corporate Services and Lord Ashcroft was far more open and exposed as a result of the legislation that was introduced in 2000 which was of course the result of the work by this Committee. Actually it is working and if you see some of the campaigns that were launched against the influence of Ashcroft money, as it got known, there are campaigns specifically to deal with that. We did not have that during the 1980s when the Midland Industrial Council was particularly active in marginal seats across the Midlands. The system you have introduced is still bedding in and taking time to work but all the evidence we have seen over the last five years is that greater transparency is working. I will be very interested to see how this works in the next general election in relation to Lord Ashcroft and his activities. But certainly the transparency that you have in the system we think has been effective and we need more time to see how this works in practice.
202. SIR CHRISTOPHER KELLY: Thank you.
203. DR ELIZABETH VALLANCE JP: You are against a donation cap. What about expenditure? You talk about limiting the cost of politics. Would you like to expand on that? You say that reducing the cost of politics is a fair and more enforceable way of reducing the need for large donations.

204. BYRON TAYLOR: From our perspective I think it is fair to say that the cost of politics, the burden of this cost for the trade union movement is falling on our members at the end of the day. Anything that can be done to reduce the cost of politics in this country will be welcomed across the board. I do believe there has been an arms race and I do believe it is important that action is taken to prevent this. The national limit is very high and the cost of politics in this country is particularly high as a result. We would be keen to see a reduction in the national limit of expenditure. We have not looked at the local situation in more detail but certainly at the national level, yes, we would favour a reduction in the cap.
205. DR VALLANCE: How would you go about that? You believe there ought to be an actual cap on expenditure for each of the political parties, and have you any sense of what that realistically might be?
206. BYRON TAYLOR: I am trying to remember what the limit is at the moment.
207. DR VALLANCE: Have you any sense at what it would cost to run a political party either throughout an election period or in more general terms, say, per annum?
208. PROFESSOR EWING: There are two issues here: (1) reducing the cost and what we have in mind is reducing the amount of money that can be spent at election time. Currently the £20 million figure seems to be rather high. When the Labour Party came before this Committee in 1998 our proposal then was that the limit should be set at £15 million. That may be too high. Certain things we feel that could be taken out of the spending equation, for example, the use of billboards which have become largely redundant. Also at local level I think most people now agree that the impact of the 2009 Act has been rather unhelpful in the sense it has raised the amount of money which candidates can spend in the run-up to an election. Our concern would be to reduce the amount of money that can be spent in order to reduce the demand for these large donations.
209. And (2) if you do go down the route of donation caps, which has some support, the question to be answered is what is going to happen to the money which is then released by these donation caps? People will not stop spending financially on political activities simply because there is a cap. The money - as happens in the States - will simply flow elsewhere and what will happen is that there will be an escalation in the spending by third parties. As we heard in the earlier session it will go to charities and other organisations and that becomes much harder to control. Again, we come back to the point, it is much better that the money comes into the parties where it can be seen, regulated and it is public and it begins to drift off to the margins where you end up creating a new regulatory headache because you cannot contain the spending which will then take place.
210. BYRON TAYLOR: I have heard people before this Committee suggest that trade unions spend in marginal constituencies and that is comparable to

money spent by the Conservative Party and their supporters. The area of particular concern is the pre-election period and the ability to spend money before limits kick in prior to an election - I think it is February at the moment - and the amount of money that can be put into marginal seats prior to that period I think was exploited significantly by the Conservative Party in advance of the last election. I have heard some of the proposals for year-round spending limits and I think the trade union movement would be happy to consider anything that reduced the cost of spending. But I think there is a real problem in terms of local spending and the way that national spending is used to influence local seats.

211. DR VALLANCE: Can you tell us how much the trade unions give to the Labour Party per annum?

212. BYRON TAYLOR: In terms of affiliations you would be looking in the region of about £7.5 million a year.

213. DR VALLANCE: That would of course go up pre-election?

214. BYRON TAYLOR: Unions would put additional financing in, in the form of additional donations to the Labour Party.

215. DR VALLANCE: In order to reduce expenditure you would be prepared to reduce that?

216. BYRON TAYLOR: Yes, I cannot foresee any situation which the unions would not welcome. Let us be clear, trade unions are a declining part of our community at the moment. We live in an increasingly individualised world. Collective institutions, certainly to some people, appear archaic. We have a declining membership base. In order to sustain the arms race and allow our party to support our party against increased spending by the business community, yes, we would want it reduced. It would reduce the burden on trade unions.

217. DR VALLANCE: Trade unions, as third parties, can spend up to £1 million. Is it your understanding that many unions get close to that figure?

218. BYRON TAYLOR: No, because the money is contained within the party system. The monies that come from trade unions generally goes into the Labour Party and in support of the Labour Party and does not flow elsewhere. The only union that actually conducts any significant third party spending is Unison from its general political fund.

219. DR VALLANCE: So what do the unions spend their money on?

220. BYRON TAYLOR: All the paraphernalia of modern political campaigning.

221. PROFESSOR EWING: As third parties?

222. DR VALLANCE: As unions, but they would have to be registered presumably.
223. PROFESSOR EWING: If you look at what Unison particularly did, it spent a considerable portion of that money on attacking the BNP and advising the BNP. It also spent a considerable amount of money on defending public services and as I recall Unison have used significant newspapers, billboards, literature, leaflets; all the various paraphernalia of modern campaigning.
224. DR VALLANCE: Thank you.
225. DR BRIAN WOODS-SCAWEN DL CBE: You have explained that you see unions as collective organisations and, therefore, not just simply aggregating individual members. What criteria do unions use in terms of deciding the rate and flow of support for the Labour Party? What do unions think they get for their money?
226. BYRON TAYLOR: I think there were two questions. I will start with the second question: what do unions get for their money? I think it is quite clear what unions get for their money and it is codified in the rulebook of the Labour Party. In return for affiliations to the Labour Party the unions get a right to participate in the power structures of the Labour Party. They get a vote at Labour Party conference based on their affiliations. They get a participation in the activities of the Labour Party. They can run for the trade union section of the National Executive Committee. They can run for the affiliated section --
227. DR WOODS-SCAWEN: I understand that; that is all about process. What do unions think they get in terms of their members being better off as a result of the affiliation?
228. BYRON TAYLOR: It really goes to the heart of the relationship between the trade unions and the Labour Party. The Labour Party was created to promote the interests of working people and to promote benign economic conditions, to improve their conditions at work, to ensure there were generous welfare benefits when they were out of work. The trade unions bring working people together to try and promote political objectives. The Labour Party is the expression of that political will and that desire to see improved conditions and improved conditions of their members. That is the reason that trade unions support the Labour Party. Let us be clear trade unions are not natural single individuals here in the way that, for instance, Lord Ashcroft is.
229. Let us deal with one of our affiliates Unite. Unite will have between 1,000 and 3,000 people living in every parliamentary constituency. We are there to try and ensure that our working people have the best possible lives, from the cradle to the grave, and that is why we support the Labour Party and we believe that is what we get out of the Labour Party: a better society for our members.
230. DR WOODS-SCAWEN: I understand that as a permanent underpinning but at times individual unions will say, "We are going to give

less” or, “We are going to slow it down or withhold some money”. What types of things characterise those decisions? What criteria might decide the actual application over time of the resources?

231. BYRON TAYLOR: In terms of affiliations to the Labour Party, those affiliations have remained fairly stable for the last 15-20 years; certainly during my period and I can only speak really from 2002 but affiliation levels have been basically stable throughout that period. Are you talking about affiliations or --

232. DR WOODS-SCAWEN: Both.

233. PROFESSOR KEITH EWING: I would take issue with the question because in a sense it implies that it is an economic transaction.

234. DR WOODS-SCAWEN: That is what I am trying to get to.

235. PROFESSOR EWING: What do you get for your money? I would dispute even the basis of the question because it is not an economic transaction. This is a relationship which current trade unions have inherited over many years. It is a relationship which has long historic, political, social roots which weathers all the frustrations and irritations which trade union members have about the Labour Party leadership. So what actually binds this relationship together is very, very difficult to explain in any way that makes sense to people outside the Labour Party.

236. Why do they do it? In a sense, why is a party founded? The party was founded to get rid of legal decisions which would prejudice the freedom of trade unions. What then did trade unions want through political representation? They wanted better laws which would protect people at work; better health a safety; the national minimum wage; unfair dismissal protection at work. So it is about using the political process to discipline private power. We also want a better society for our members in which to live. We want a national health service. We want a better transport system. We want to deal with housing needs of our members. So in a sense it is about creating a framework or climate in which good things will happen for the benefit of the members of trade unions.

237. BYRON TAYLOR: An interesting example to come back to is our Communication Workers Union who, under the previous Labour government, faced the privatisation of the postal services. The affiliation levels of the trade union to the Labour Party did not change throughout that period and if you look at the election the CW continued to contribute to MPs and constituencies around this country contributing to a party that effectively wanted to privatise their services.

238. DR WOODS-SCAWEN: Just to conclude on this: you would not see circumstances in which trade unions would see their funding as leverage over the policy determinations of the party as opposed to influence over those discussions? In other words, “I do not like your policy and if it does not

change there will be financial consequences". You do not see that kind of situation arising?

239. PROFESSOR EWING: I think trade unions accept the fact that within the Labour Party they are part of a coalition of interests in which they have to compete for attention, and very often they do not compete very well when it comes to the decision-making process.
240. In 1997 Tony Blair made a promise in the Times newspaper that under a Labour government British labour law would remain the most restrictive of all the labour laws everywhere in Europe. That was a promise that he kept because it is still the case that British labour law is the most restrictive anywhere in Europe. That is a statement that Howard Wilson could not have made in the 1960s or 1970s. It is very nice insight into the impact and influence which trade unions currently have within the Labour Party.
241. DR WOODS-SCAWEN: To move on to regulation you said earlier that trade unions' political activities are very highly regulated and very transparent. Do you think they are excessively regulated and would you argue for some rollback?
242. BYRON TAYLOR: Yes. My personal view and the view of the trade union is that trade unions are indeed over regulated. If we are talking about what is an appropriate level of regulation that is in the eye of the beholder. The view of the trade unions is very clearly that they are over regulated.
243. It was the government's own Better Regulation Taskforce in 2002 that concluded that trade unions were over regulated in a number of fields. They actually called for the repeal of the political fund review ballots every ten years. But let us be clear, trade unions internally are heavily regulated. Why is it in this day and age that trade unions are required by law to conduct postal ballots for internal elections? We live in an era of the telephone and the internet yet by law trade unions are required to conduct postal ballots. This is over regulation within trade unions internally. And let us be clear it also crosses a fairly clear boundary through the international labour organisation conventions which believe that trade unions should be free to operate without interference from the state. In the UK we are already in breach of its international legal obligations in respect of regulation.
244. SIR CHRISTOPHER KELLY: Brian has invited you to stray and I am conscious of time. The question was specifically about the party funding issue.
245. PROFESSOR EWING: One last point: yes, it is excessive to require trade unions to ballot their members every ten years and then to say to trade union members, "But you are not bound by the result of the ballot". It seems to me to be unjustifiable to have this requirement of collective approval and then individual opt-out.

246. My last point - and this is I think a salutary warning for anybody who wishes to swim in these waters - is that in 1913 when parliament, in its wisdom, decided that trade unions wished to engage in political activity, they had to set up a political fund to finance that activity. What parliament did in 1913 was to create a fund of money - £20 million a year - which can only be spent on political activities. If trade unions had to fund their political activities from their general funds at the present time they would not be in a position of being able to sustain their current levels of expenditure. What parliament did - unintended consequence perhaps - was to create a supply of money which can only be used for political purposes and which cannot be stopped now because we live in a society now where under the Human Rights Act we have rights to freedom of association.
247. You may wish to control the flow of money to political parties but you cannot stop unions using that money for other political activities. In a sense it is a huge problem which has been created by this unintended measure in 1913. When you are thinking about how you are going to solve the problem in the future just think about the possible consequences which may or may not arise for any legislation that may or may not be introduced.
248. SIR CHRISTOPHER KELLY: Thank you. Just before we finish, can I return to one question of detail which is raised by paragraph 54 of your evidence: in the last sentence it says that apart from the fact that it would be wrong in principle a cap would have “The very serious effect and practice of prohibiting trade unions from engaging in important forms of Labour Party activity”. I understand that it would be inconvenient and the flows of money would be limited. I do not quite understand why it would prohibit you from doing the kind of things that you then go on to talk about in the following paragraph.
249. BYRON TAYLOR: Effectively by introducing a donation cap you will homogenise the relationship between the trade unions and the Labour Party. You have organic relationships that exist with constituencies, with labour groups, with regional parties; not just with the national Labour Party. A single national donation cap would effective route everything through the national Labour Party and then it would be down to the national Labour Party. At that point it is the Labour Party’s money; not the trade union movement’s. How would the trade unions continue to support non-establishment candidates? How would we support seat where the Labour Party is not focused in terms of its own electoral activities? A donation cap would eradicate the organic relationships that we currently have.
250. SIR CHRISTOPHER KELLY: Okay, thank you. The prime question before this Committee is very much the one on which you focus which is: is there a problem, and if there is a problem, is it a problem of substance or perception? As you have said there has not so far been presented to us a lot of evidence that there is a problem of substance. The problem of perception in itself could of course be an issue and indeed all three main party manifestos included reference that they intend to do something about what they perceive

to be the problems so there is some evidence that the parties at least do that.

251. But as you both point out we have to then get into the issue of: is the mischief done by doing something about that problem greater than the mischief that is done by the perception that big money buys influence or position in politics? That is why we have to focus on issues of if there was a cap what would precisely be the implications of it and does it work or not work and so on. So you should not assume from our questions that we have yet reached any decisions about whether or not to impose a cap. We are trying to explore what the implications would be.

252. BYRON TAYLOR: The point I would like to make about donation caps is thus: in line with Hayden Phillips you have effectively destroyed the structure of the Labour Party as it currently exists. The effect of a donation cap in the UK would be the same as the effect of a donation cap in other countries. If you impose a donation cap the money that resides in trade union political funds would not simply stay in trade union political funds; it would be spent on other purposes. It would be spent on third party campaigning. You can already see this effect in Unison and its third party campaigning. In those circumstances it is unreasonable to believe that business groups will not perceive this as a threat and conduct their own third party campaigning and you will find yourself quickly in a position where spending has escalated on both sides in an attempt to out-spend each other's third parties.

253. The imposition of donation caps will simply create a greater regulatory problem. It is a very glib solution for what is actually a complex political system. It is not a holy grail despite what some in the Labour Party even believe the advantages of a donation cap would be.

254. By imposing the donation cap then the issue of transparency comes to the fore. This idea that trade unions are somehow not transparent to me is a simple fallacy. Every individual has the right to opt out of the political fund activity of its trade union. Collectively, through the political fund ballots, an individual member can vote against its union operating a political fund. Through its represented structures an individual can campaign to end the affiliation link with the Labour Party. At any point an individual can make a complaint to the independent ombudsman about the internal process of the trade union. There has not been a serious complaint in the last 20 years in relation to the operation of trade union political funds.

255. By imposing the Hayden Phillips solution you impose further regulation and bureaucracy upon organisations which are primarily industrial. Political fund activity represents the attempt by the trade unions to engage openly and democratically and constitutionally in the political processes of this country. If trade unions were spending money privately in legal donations and the like, there would be a problem. This was an attempt by the trade union movement 100 years ago to engage properly in the political process and it is something of which they remain, to this day, very proud.

256. In terms of expenditure limits we agree. We absolutely agree that expenditure should be reduced. We believe that there is danger that our party will be outspent by business community within the country and we believe that our support for the party is important to sustain it, but we believe that it is an unequal playing field. The Labour Party represents the powerless and the dispossessed. It remains to this day the party of people coming together to represent their interests politically and we recognise that there are many wealthy people opposed to that.

257. The final point I would like to raise is additional state funding. There is significant state funding already within this country and that is recognised. Of course we would welcome additional state support. We think it would be very difficult to introduce that at this time.

258. SIR CHRISTOPHER KELLY: Thank you very much. That is a strong statement. This has been a very useful session to us. Thank you to both of you. I suspect that it is only the beginning of a dialogue that we may need to continue over the next few months. Thank you very much.

259. We have overshot our time quite considerably. We will take only a five minute break.

260. (break)

MARTIN BELL

261. SIR CHRISTOPHER KELLY: Can you tell us what your view is of the question we began and ended with in the last session which is: is there a problem and, if so, are any of the solutions that are suggested for it likely to do more mischief than the problem itself?

262. MARTIN BELL (Journalist and former independent MP): I think there is a problem. It is to a large extent a problem of perception, but the problem of perception is so deep and so wide that it becomes in itself quite substantial. I accept that you are dealing with a particularly intractable problem.

263. What really struck me in the last few years was the perception that because the parties are so much weaker than they used to be - structurally and especially in terms of membership - and so dependent on large donations that the question then arises: what are we getting back? You saw I think in the "cash for peerages" issue, this had a particularly damaging effect on the public perception of politics. If routinely donors give £1 million to a political party and routinely they end up in the House of Lords then - whether or not the public prosecution is able to be brought - people feel that places in the national legislature are being bought and that is very damaging to public trust.

264. SIR CHRISTOPHER KELLY: You do not think that transparency and more robustness on the part of the House of Lords Appointments Commission could deal with that issue?

265. MARTIN BELL: Actually I do believe it. If the Committee were more robust and before that the Political Honours Scrutiny Committee. We are going way back here but there was a famous occasion in which I think it was Francis Pym MP, on that committee, made the point that if people give substantial sums of money to a political party they are essentially putting their money where their mouth is; they are reinforcing and promoting their opinions. I put this in a book; he might as well have published a rate card. "So much for CBE; so much for an OBE; so much for a knighthood; so much for a peerage." I think a lot can be done by toughening the scrutiny process, yes.
266. SIR CHRISTOPHER KELLY: Thank you.
267. DAME DENISE PLATT: I want to come onto some of the specifics you probably heard us discussing with the previous witnesses and which we are exploring with everyone. You mentioned large donations. Do you think it is a problem for the political parties to be reliant on large donations whether from individuals, trade unions or companies? Are any of those sources more acceptable or less acceptable than others?
268. MARTIN BELL: I think it is a problem because it takes power and influence out of the hands of the many and puts it in the hands of the few. I think we are all agreed that way back in the 1950s the political parties were mass movements and the constituency associations had thousands of people in them. All those days are gone and at the same time the cost of campaigning has shot up. So, yes, I think there is a problem but it is very difficult to expect the parties to say, "No, sorry, we do not want quite this much money from you. Can you give us a smaller sum?" I do not think that is realistic.
269. DAME DENISE PLATT: So would a proposal around a donation cap be effective?
270. MARTIN BELL: I think it is useful but whether it would be effective I am not sure. I can see so many ways around it through third, fourth and fifth parties; through laundering contributions. It is attractive to me because I am an independent and on my few ventures into elective politics I found myself heavily outspent by the political parties. In the end the process belongs to us. I mean, any individual has a right to stand for parliament on a more or less equal footing and the richer the parties become the harder it is for the little guys to get a look in.
271. DAME DENISE PLATT: So how did you go about raising money
272. MARTIN BELL: My first campaign was not a normal campaign because both the Labour and Liberal Democrat parties stood their candidate down. I was trying to unseat an MP called Neil Hamilton you may remember. I put a £100 limit on what anyone was allowed to give us and within 2 weeks we had raised £16,000 just like that because. It had nothing to do with me. I was a fairly unlikely standard bearer but it was a sort of insurrection by the people. What that taught me about political funding I think has some relevance to this

inquiry of yours: if people give to a political party as they would to a charity - because they believe in the cause - not only does it solve the problem but it gives the people ownership of the political process.

273. DAME DENISE PLATT: One of the proposals put to us is that small donations such as the ones you describe given to political parties should attract gift aid and that would be an incentive for a wider group of people locally to get involved in activities if they knew there would be some match funding. Do you have a view about that?
274. MARTIN BELL: I think that could be an advantage. Some would find it a touch bureaucratic. I think we have a very interesting example of what can be done in the Obama presidential campaign in which I believe something like 2 million gave an average of about \$85 each which then gave them ownership of the campaign. It became their campaign. If our political parties and candidates and leaders can find ways of inspiring people - if that is not too old-fashioned a word - I think the problem, to a substantial extent, goes away.
275. DAME DENISE PLATT: One of the arguments in favour of a donation cap is that it would make the parties work harder to generate membership on the ground. Do you think that might be a consequence?
276. MARTIN BELL: I think the parties are going to see whatever proposals you recommend much as they would in the forthcoming argument about AV; that is you start with the outcome - such-and-such being accepted - rather than it being an argument about the process of what is democratic.
277. I was in parliament during the time of the passage of the 2000 Act. I tried in vain to get on the Standing Committee because of course independents have no status there unfortunately, but it was framed by the political parties for the political parties because it was going to establish the landscape in which they would compete against each other in forthcoming general elections. It was obviously tilted by the parties in their favour.
278. DAME DENISE PLATT: Moving to the other side of the equation: expenditure. Do you agree with a cap on expenditure?
279. MARTIN BELL: Absolutely, and that has been a positive development. I find the present cap too high and it is like any budget; you spend up to the limit, do you not? If you look at what they have to spend their money on, they do not have to spend it on billboard advertising, which has been hugely expensive and I think is now a thing of the past. There are various innovations in the new technology which are going to cost them money. I do not see why they should not run their national campaigns at half what they are spending at the moment. One of the principal costs is actually flying your leadership around the country to make the most use of the publicity and get them to the right places. I do not see that it needs to cost quite as many millions as it has in these last elections. As soon as you get a situation which the parties have to raise less than the problems of perception of dishonesty and the purchase

of influence and high honours, they just start to fall away.

280. DAME DENISE PLATT: An argument that has been put to us is that the national campaign limits are too generous and the local candidate campaign limits are too small. Would you agree with that? Do you see any argument for rebalancing?
281. MARTIN BELL: Yes, I would agree with both of those propositions.
282. DAME DENISE PLATT: Would that have influenced how you campaigned as an independent?
283. MARTIN BELL: The way I campaigned as an independent was more off-the-wall and untypical of anything. I had a more typical campaign in 2001 when I campaigned against Eric Pickles, actually whom I rather admire, and I found myself up against all three political parties. But again I was able to raise as much money and without being obligated to anybody but the problem then that an independent faces is that you are up against the horserace element of public perceptions of elections and you are excluded, not just from the party political broadcast, but obviously now from the new leadership debates. So independents start at a very serious disadvantage and I think this is probably why both the two sitting independents in England were defeated at the last election despite a general anti-politics mood in the country.
284. DAME DENISE PLATT: One of the issues that has been put to us around expenditure is that we should look at a cap on general expenditure rather than just capping campaigning expenditure. As an independent what would be your views about that as a general principle?
285. MARTIN BELL: It seems to me that the campaign begins the day after the declaration of results, especially in marginal constituencies and MPs are involved in a rolling campaign for the entire four or five years. If there are going to be further spending limits - and I hope there are - I think it should be over the entire life of a parliament.
286. DAME DENISE PLATT: As an independent that might mean you would also have to start campaigning the day after an election.
287. MARTIN BELL: One of the advantages of running an insurgent campaign is that you can come from behind quite fast. It is actually quite romantic. It either takes off or it does not and there is no knowing when it will. It takes a peculiar combination of circumstances.
288. DAME DENISE PLATT: Looking at some of the big spending that took place in marginal constituencies last time do you have a view about whether it was influential or not?
289. MARTIN BELL: It does not appear to have been as influential as we feared at the time. If in a single constituency the result was decided by pre-campaign spending rather than by the arguments, if the playing field was as

un-level as that, then I think we have a democratic problem. But I was pleased to see that the Ashcroft money did not have quite the effect intended.

290. DAME DENISE PLATT: The escalating arms race in expenditure seems to be based on a premise that the more money you have the more you can influence the result. Is that a view you share?
291. MARTIN BELL: Yes, I have held this view for a very long time. Independents and the smaller parties are at a heavy disadvantage, both in public perception terms, in people getting access to their leaders and candidates, in organisation; in every possible way.
292. DAME DENISE PLATT: What does it feel like to be an independent faced with the big money of the other parties?
293. MARTIN BELL: Somebody wrote a book about one of my campaigns where I was pictured as a Don Quixote figure on a shambolic horse. I said I did not have a machine so much as a contraption. I could give you an example of the kind of difficulty that independents face.
294. I was persuaded to stand in the European parliament about 2004. The editor of the Eastern Daily Press, for whom my father used to work, and it was sort of an insurgency campaign but I could not begin to raise the £1 million or £2 million it would have taken to run a proper campaign so I did it on free press and on the internet which meant that a lot of people had no idea who I was. I got 93,000 votes. I was scarily close to getting elected. A very nice lady wrote to me from Hertfordshire afterwards saying she did not know I was standing until she saw my name on the ballot paper when she was voting, and assuming I was an impostor she voted for somebody else.
295. DR WOODS-SCAWEN: You referred to the role of independent candidates and the pressures on independent candidates. Do you think there is, either in elections or more widely in politics, a growing role for independent single-issue campaigns, pressure groups, other kinds of third parties, outside the political party framework?
296. MARTIN BELL: I think there is and single-issue campaigns can be quite effective. Richard Taylor was elected as MP for Wyre Forest on a single-issue campaign. When I talk to young people - and I do it a lot - I find they are not apathetic at all. They are stirred up about all kinds of issues other than tuition fees, environmental issues and so on, but they do not always find an outlet for their idealism and their enthusiasm in the established political parties. This makes it possible for third forces to operate and, of course, it creates a climate to which the regular political parties have to respond and adjust. It is quite a complex mix.
297. DR WOODS-SCAWEN: If it is the case that there will be a growing footprint from third party organisations, do you think it is right that a regulatory

system should be extended to encompass them as strongly as they would for regular political parties?

298. MARTIN BELL: I can see a situation in which you could justify that. At the moment these are the forces that actually contribute to democratic plurality, if I could put it like that. Certainly, we independents did not come out of this last election as a major force, or any force at all. I think I can cheerfully say that every single candidate I supported lost. So, if you think it is worth regulating me, you are very welcome.

299. DR WOODS-SCAWEN: Was there a connection between your support and the outcome?

300. MARTIN BELL: Actually there was one candidate, who was elected because I endorsed her individually; she belonged to a political party. Another one who wrote me an extraordinarily rude letter afterwards, blaming me for his defeat. But the independents all failed.

301. DR WOODS-SCAWEN: Specifically on funding: do you think there will then be a need for the regulatory framework around funding, whatever it is, to be extended to encompass this more plural structure? If so, what is the risk of over-regulation of organisations that inevitably will be more fluid?

302. MARTIN BELL: You are now taking evidence on a political landscape which has changed considerably since this Committee or its predecessor Committee did. So you have to take into account the changes. Too much regulation? I think that the issues at stake are so great - not just the honesty of our politics, but the reputation of our politicians and of our parties - that if they cannot put their house in order then the regulator has to do that. I would like to see the role of the Electoral Commission strengthened. It does not seem to me to have been strong enough in these past years.

303. DR WOODS-SCAWEN: In what respect would you like to see it strengthened?

304. MARTIN BELL: For instance I think they should have become involved much more heavily in early on in the cash for peerages issue. The then chief executive said it was going to make them very unpopular, well, the hell with it. If you are going to regulate, you are going to be unpopular. It is one of the things that happen.

305. DR WOODS-SCAWEN: Can I turn to state funding, of which there is not an inconsiderable amount at the moment. Do you think that is right in principle?

306. MARTIN BELL: I think that I could defend the short money and its equivalent in the House of Lords, not to leave the opposition parties at a disadvantage. But beyond that, even if we were not living in times of economic austerity, I wonder what I would feel if my taxes were used to support parties whose policies I disapproved of. One of the big issues for me,

even all these years later, is our sailing off so nonchalantly to a war in Iraq in 2003. Now why should my tax money go to support political parties who, in my view, made such gross misjudgement? I cannot see a case for it, and I think Sir Hayden Phillips made the same point, that it would be a very difficult matter to sell to public opinion. I go back to what I said about parties receiving donations in the way that charities receive donations. They appeal to people. They appeal to people's enthusiasm, "I want to give money to these political parties because I like the leaders and I like the policies". This seems to me a much better way out of the present difficulties than state funding.

307. DR WOODS-SCAWEN: But there might be a counter argument that runs like this, that for politics to flourish parties need to have fully thought through, well-evidenced policies and effective communications to put them before the people so that actions are based on issues and not on emotions. And that particularly if there were a cap on donations, that activity which is good for democracy - so the argument would run - need to be further funded by the state. Notwithstanding your separate argument about the practical difficulties of selling that proposition at this point in the cycle.
308. MARTIN BELL: I am rather a jaundiced witness on this point because I am not a huge fan of political parties. I can honestly say my four years in the House of Commons I found more shocking than any war zone I have ever been to. I would like political parties to democratise themselves to reach out to more members and to have a much lighter whipping system in the House of Commons. I think if we had more MPs who could vote their minds and their consciences and were less afraid of being deselected, I think that would do our democracy no end of good.
309. DR WOODS-SCAWEN: Coming back to your experiences as an independent MP; you have talked about the difficulties of influencing legislation through the committee structure. Were you also prejudiced to a significant extent by the lack of, for example, short money, policy development grants, the paucity of state funding that is available to parties or parliamentary business?
310. MARTIN BELL: No, I did not find that to be the case. I was regarded not as a threat to the system, but rather as a curiosity and people were very kind to me. As for research, the House of Commons library is a magnificent institution, and it gave me everything I needed. The only difficulties I had were in being called to speak on matters that were important to me, like the Act of 2000. I was very lucky that the Conservatives gave me one of their seats on Standards and Privileges, so I was not outside the system. But if you are an independent there is no place for you within the system and that is a disadvantage. I do not know if Caroline Lucas is feeling that, she is a party of one. It is harder like that.
311. DAVID PRINCE: Can I come back to regulation and the regulatory framework operated by the Electoral Commission. You have experience of

standing as an independent member. I just wondered what it felt like having to comply with all the regulations that there are on donations, expenditure, and whether you think the whole system is proportionate right across from the small parties to the large parties?

312. MARTIN BELL: I first stood in 1997 when the present regulations did not apply. Of course what did apply were the limits on constituency spending which I find absolutely reasonable. I myself did not feel that the regulations were particularly burdensome, but I was just one person standing in one constituency, and that applied also to my European adventure. I was not running a party. I think it is reasonable that the same rules should apply to all political parties, the major parties, the national parties - what I call the second tier parties - and indeed the independents. Although I do not think you are going to find that the independents need a lot of regulation because we do not have lots of money. As I think I said, every single independent candidate I supported lost. So when the press describe me as a sleazebuster I told them I am a failed sleazebuster; I have not been doing particularly well just lately.

313. DAVID PRINCE: Similarly, do you have any observations around the regulations relating to the European Parliament, because you have had that experience as well?

314. MARTIN BELL: Yes, if anything the European scene is rated much more heavily against an independent like me. No, if I had spent enough money I could have been elected last time, although whether I really wanted to is another question. There were many things with the European institutions that trouble us a lot. But I was not aware in standing that the rules in place disadvantaged me. I just did not want to raise, or could not raise, enough money to be competitive.

315. DAVID PRINCE: Finally, if I may go back to what you were saying about the constituency expenditure levels. You said you found those reasonable. Some people suggested that it might be better if those were increased alongside a reduction in national expenditure, on the basis that it would encourage more local engagement. Do you have a view on that?

316. MARTIN BELL: If you are going to encourage an increase in constituency spending, I would suggest it should be a fairly moderate one, because it really does matter how much an individual candidate can spend in a constituency in a campaign. If you are outspent, you are rendered invisible, and I think this is particularly the case now. I would be very surprised if in the next general election the experiment of the party leader debates were not repeated. This puts a tremendous squeeze on the second tier parties, on the independents. It knocked the oxygen out of the SNP campaign in Scotland, so I think there are some serious questions of justice and equality. But I think a modest increase in spending at the constituency level would be entirely in order.

317. SIR CHRISTOPHER KELLY: Can I ask a question about your view of the role of media? Obviously the media are enormously important as part of

the way the transparency operates. Quite a few of the major scandals of the past would not have been uncovered without the media. But they also operate in a different way to, on a number of occasions, blow up trivial issues related to party funding or other issues concerned with political life, in a way which implies fault when there is not necessarily fault. That discourages or runs the risk of discouraging people from donating to political parties or taking part in political life in some other way.

318. MARTIN BELL: I think it would be very hard to frame the MPs expenses scandal as a side issue that the press might as well have left alone.
319. SIR CHRISTOPHER KELLY: That was not what I was suggesting, but having got hold of the rabbit, there is a question of whether you think they are at risk of shaking it to death?
320. MARTIN BELL: I never actually did political reporting, well I did way back in the 1960s and all the politicians I reported on always lost. I think as an ex journalist, what does trouble me, what I read routinely on the protocol reporting - and we have some very good reporters out there - is the emphasis on splits and divisions and rows. We have an extraordinary political experiment going on at the moment in coalition politics which, whatever you think of it, is worth, I would have thought, explaining, expounding, without all the time looking for points of division at which it is going to blow apart. Maybe it will last for four to five years and on. But I am a bit of a libertarian in my views on the press; I think they should go hunting where they wish. And bringing politics into disrepute? No, insofar as politics has been brought into disrepute, I think it was something done by the politicians themselves. As we all know there are lots and lots of honest politicians out there. My concern is that the scandals have also damaged their reputations; but I do not blame the press for that. These things happened and they were exposed, and without the Freedom of Information Act they would not have been exposed so sometimes good things happen.
321. SIR CHRISTOPHER KELLY: Thank you. I am not wholly surprised. Is there anything we have not asked you that you wanted to say to us?
322. MARTIN BELL: No. I do not have any papers or anything really. I do not represent anybody but myself, but I have had some experience in the media and in politics and all I would appeal to you is when you come to draw up your conclusions do not overlook the little guys. Do not make it impossible for the ordinary person who has got a cause and would like to become a Member of Parliament, do not have him or her shrugging their shoulders in despair saying, "They have made these rules that I cannot possibly live with" because we would be limiting ourselves if we do that.
323. SIR CHRISTOPHER KELLY: Is that a general point or do you have something specific in mind that we might suggest that would have an effect?
324. MARTIN BELL: Well, I think if you were able to find a way of imposing a limit on contributions, and I think £50,000 is reasonable - I cannot see a

government having its policy swayed by £50,000; it would be a pretty poor government if it did - then some of the problems of perception fall away. The perception that high honours can be bought, or policy can be influenced falls away, and the little guys, the ones who wish to stand as independents - and there were more of those at the last election than at any election in memory - would not be disadvantaged as much as they are when there are essentially no spending caps. It is also good for the donors because they are seen to be doing it because they believe in the cause and they believe in the party, and they do not have their eye on some future advancement or fancy title.

325. SIR CHRISTOPHER KELLY: Thank you very much indeed, and thank you for coming in and apologies again for keeping you waiting.

HOWARD LAKE (FUNDRAISING UK)

326. SIR CHRISTOPHER KELLY: Our next witness is Howard Lake. Mr Lake, you are very welcome and we are grateful to you for coming. Would you like to just take 30 seconds to introduce yourself?

327. HOWARD LAKE : Yes, my name is Howard Lake and I have worked in the charity fundraising sector for the last 22 years. The first 9 years for organisations such as Oxfam and Amnesty International, the last 16 years I have been running a website about professional fundraising. It is an open website for all kind of fundraisers and fundraising consultants to share advice, best practice, with the aim of developing the fundraising profession. I have a broad experience and understanding of fundraising and communications with many other fundraisers.

328. SIR CHRISTOPHER KELLY: Thank you very much. The reason we have invited you to give evidence is this: there are a number of people who think that there is a problem of a big donor culture. There are, therefore, those who are pressing us to impose a cap on donations. If you do that there are clearly implications for the funding of parties which may be asymmetrical. The inevitable consequence of that is the next suggestion is state funding, which is difficult at any time but particularly difficult at the present time. The missing link in that is the ability of the parties to raise more funds from individual donors in small amounts using the internet or in other ways. The general question to you is: what scope do you think there is for the political parties to raise more money, in an Obama style, from individual donors giving small amounts?

329. HOWARD LAKE: The scope is there, but I think the parties will be restricted because they have such a limited access to all variety of methods of giving that many individual donors enjoy at the moment to registered charities, because political parties are separate. They do not have access to Gift Aid, payroll giving, or grant making trusts, national lottery funding. So the wide variety of methods that charities enjoy, and exploit, just are not really there. Even if you could engage larger numbers of supporters, which is certainly possible, I think the range of ways in which they could give - in which they are used to giving in - would restrict the amount of income that political parties can

raise.

330. SIR CHRISTOPHER KELLY: What would be the key constraints? For example, the equivalent of Gift Aid or payroll giving, to mention two of the things you have, what difference do you think allowing those to apply to donations to political parties would make?

331. HOWARD LAKE: There is an immediate boost in terms of income, and Gift Aid at the moment is worth 28 pence per pound donated, so that boots income very quickly. There is public awareness and acceptance of Gift Aid; if you make a donation to charity the majority of the public will not be surprised to be asked to give by Gift Aid. So, yes, there is that automatic boost and, I suppose, an element of trust. I think the public acknowledge our registered charities and therefore for any organisation that accepts Gift Aid, there is an element of trust involved.

332. SIR CHRISTOPHER KELLY: If you were advising a political party and there was the equivalent of Gift Aid and payroll giving; apart from the 20 per cent uplift that happens automatically on existing donations, what sort of advice would you give them about the scope that there would then be for raising more funds?

333. HOWARD LAKE: I think there would two directions that I would suggest. One is to ensure that all existing members, supporters have signed up to Gift Aid, so exploit the existing resource if you have supporters, donors already they are the cheapest ones --

334. SIR CHRISTOPHER KELLY: My question is would we be fooling ourselves to think that it would be possible to raise large amounts in that way? Because at least one of our witnesses said to us that Gift Aid is fine, but simply allowing that for political donations would not of itself have any significant effect. Would that also be your view?

335. HOWARD LAKE: Yes. It will have some small effect. It will not transform their finances, but it would transform them very quickly if that were introduced. The supporters could be contacted straight away and, by signing up to the Gift Aid form, within weeks some substantial sums of money would come in. But no, it would not resolve the issue or would not make them self-sustaining on their own.

336. SIR CHRISTOPHER KELLY: Why was President Obama able to raise such enormous sums in the States from relatively small donors, and why do you think that analogy would not apply in this country?

337. HOWARD LAKE: It can apply but I think it was such an unusual campaign, there was a huge amount of investment went into it, and it was not just the technological element of it. Yes, that is what got the attention - it certainly grabbed the attention of many charities in the UK - but there was real community activism and community organisation going on behind that. Without the local groups, without people knocking on doors, all the boring old

stuff that gets stuff done; I think the online campaign would have done so well. It brought in large sums of money but equally that is an ongoing trend. Yes, more money is coming in online, but it is certainly not the main source or channel of income.

338. LLOYD CLARKE: Just to pursue that a little further in terms of the internet, I am not quite sure if you are aware of this or not, do you think that the political parties are exploiting that at this stage, or have they got much further to go?
339. HOWARD LAKE: They have much further to go. I was looking at the main parties' websites over the last few days and, yes, comparing with charities, the number of opportunities to give are very restricted, and not exciting or engaging. From the previous presenter it is clear that excitement and personal commitment is important to growing the number of supporters and increasing donations. All I could see on most of the websites were requests for donations - admittedly one off or regular, which is good - and membership. Whereas if you go to a charity website you will see a minimum of six to ten different ways of giving; giving time, giving donations, leaving a legacy, volunteering, all the different ways that charities benefit from. So in that sense, no, they are not exploiting it but that is in the nature of political parties. They do not have access to the many different ways of giving of many UK individuals.
340. LLOYD CLARKE: I just get a feeling that if we are not careful that you are going to be giving the political parties free advice or free consultancy here today. But it is about trying to help us understand where these other opportunities may come from, if, for example, there is no more state funding or the like. If there was a key message that you would want to give to political parties, what was the one thing that we could do differently to really access this pool of resources? Because we hear much about the individuals and they are all out there somewhere.
341. HOWARD LAKE: They are, and that is what I would recommend, just trying to build up supporter numbers in any variety. Not just people who have given money, but people who have expressed some kind of interest. There will be the whole range of people. Have your regular donors at the top of the pyramid if you want, right down to the people who just sign a petition or joined a Facebook group or something, however insignificant that particular act is. If state funding is to be withdrawn then the only real way to go is individual donors.
342. LLOYD CLARKE: Can I ask about membership of organisations, because of course that is one way of achieving some income. Would it be sustainable for a political party these days just to rely on membership, in the same way as other organisations, whether it be the RSPCA or whoever it might be? Is membership sustainable in the longer term?
343. HOWARD LAKE: On its own, no. No organisation should rely on one prime source of income, however significant membership is. There are very

successful membership organisations still; the National Trust has over 3 million members, so there are some that do well. But overall, as I think your background documents suggest, membership is probably a declining source of income. It is very good; it is regular, it can be made tax effective for charities, but it is not one I would want to rely on. It may be a main source; it would not be the only one. I would definitely try to diversify and secure other sources of income.

344. LLOYD CLARKE: I am not sure if you were in when Martin Bell related his own personal experience of when he was campaigning to become an MP; the fact that nobody could give more than a £100 donation and within a very short time he had raised £16,000. It seems to me that what he was saying is that it is more about an issue or a specific interest these days rather than an organisation. Would you agree with that, and maybe evidence it in other ways for us with the organisations that you have worked with?

345. HOWARD LAKE: Yes, single issue politics is a growing phenomenon. It cannot be avoided and I think some of the elements that are driving it are the social media sites - the existence of Facebook - and the ability to spout whatever one wants. Any individual can gain - if they are lucky and/or work hard - a public recognition for whatever cause they want. It is not going to go away. How do organisations benefit from that? I think to some extent they have to be a lot more flexible to accept that this is going on, that their supporters do get engaged but actually quite often get engaged on their own terms. They do not wait until the charity or the political party asks, they just do it because they can, and these tools make it straightforward for them. You can set up a Facebook page, Facebook group and campaign for almost anything. Whether that fits in with the charity, or the political party is another issue. That is hard for traditional fundraisers to take advantage of, but it is the only way forward.

346. LLOYD CLARKE: We have already touched on the issue of Gift Aid, but a bit of a wider question from me in respect to Gift Aid is how do you think the public would see it, particularly those who already donate to charities and see it as a very legitimate way of giving, how do you think the public might react to Gift Aid for political parties?

347. HOWARD LAKE: I think there would definitely be some concern based on recent history, but equally if the quid pro quo of benefitting from Gift Aid were registered charity status, as long as there was public awareness of the oversight that charities or political parties were to be governed in that way, then I think some of that could be ameliorated.

348. LLOYD CLARKE: Do you think the connection would be made between Gift Aid and the fact that this was actually public funding? Is that an immediate relationship that is made between Gift Aid?

349. HOWARD LAKE: No, public funding as in individual --

350. LLOYD CLARKE: Well, it is money that is not going into the Treasury is it not, in real terms? So it is part of public funds, or that which would have been public funds. The question is would that connection be made? If not, should it be made very overtly, very explicitly?
351. HOWARD LAKE: I think, yes, transparency, making it overt, would be good. I think, yes, the public, as far as they understand Gift Aid, accept that it is their taxes effectively being redirected from the Treasury to the charity. That might annoy some of them if it were to go to political parties, particularly as Martin Bell made clear, if they are political parties one strongly disagrees with. I do not really have a solution for that. It would cause some concern.
352. LLOYD CLARKE: Is the mere fact that Gift Aid is applicable an incentive for people to give in the first instance, or is it just a mechanism for increasing an amount of money?
353. HOWARD LAKE: I think it is really a mechanism. It would be lovely if it were proven that Gift Aid could boost the amount of money given, but I do not think it does. I think various research by people like nfpSynergy has found that even for higher rate donors that it does not actually incentivise them to give more. They are aware of the benefits but I do not think it actually boosts or encourages more people to give more.
354. LLOYD CLARKE: Can I just touch on donation caps? I am not sure if you are aware of the issue specifically but what I am going to ask you is this: how would you get around it? If there was a donation cap, how would you, or someone who is wanting to raise money, stick within the rules but get around the idea of a donation cap to an individual person or even to an organisation?
355. HOWARD LAKE: I think that is really hard and that is probably the key issue --
356. LLOYD CLARKE: Hard to answer or hard to get around it?
357. HOWARD LAKE: Both. Getting around it, I am not too sure of the implications of that. Major donors underpin the UK charitable sector, so a huge number of UK charities would not achieve what they do without large donations, and I fully accept that making a large donation to a charity and making a large donation to a political party are very different. The implications can be very different. To get rid of major donors would seriously restrict the income of an organisation. Sorry, I do not know if that quite answers your question?
358. LLOYD CLARKE: One other question related to that, and again I do not know if you have experience of this, but if there had to be a change in the restrictions, how long might it take an organisation to adjust to that? For example, if you were, for charities, to take away the notion of tax relief, how long would it take them to adjust to make sure that the income was still the same?

359. HOWARD LAKE: It would certainly be a matter of years. You would need to identify either existing sources of income to see if there was any way of exploiting those better to make up for the shortfall, or test new ones, and testing would take quite some time. It is not possible just to switch on a new source of funding as new channels become available, whether it is the telephone or online, face to face, feet fundraising, these do not have an impact within one year. They really have taken quite a long time to develop, so it would not be quick.
360. LLOYD CLARKE: A final area for me in respect of regulation. Clearly charity law is strict, quite complex in its own way.. One of the issues that has been raised with us is the impact that that has on volunteers, people, at the grass roots of whatever the organisation might be. What might be the impact on volunteers? Does it make people back away from it or is it something that you have got to take account of yourself?
361. HOWARD LAKE: Sorry? So, what would impact on --
362. LLOYD CLARKE: On the grass root volunteers, in reality, in terms of regulation. For example, in the charity sector at the moment, is that something that is just not seen by coal face volunteers or is something that they are aware of, it does impact on them, they have got to take account of it, in terms of whether it be forms to fill in or whatever else?
363. HOWARD LAKE: I do not think the majority of volunteers for charities or voluntary organisations are aware of the legal requirements. They may come face to face with it in terms of health and safety and other elements that impact on them, but in general, no. I think the majority of volunteers get involved for personal or social reasons and as long as the charity supports them well in that, and they get those personal benefits that seems to be the major driver.
364. DAVID PRINCE: Just a couple of questions, if I may? I was very interested on what you said about the extent to which charities depend on major donors. I wonder if you could say a bit about the frequency of giving. Are there particular strategies to get people signed up to regular gifts on a donation plan, or are there people who give occasionally when the mood takes them? What is the strategy for getting most out of people who are major donors in the charity sector?
365. HOWARD LAKE: There are different ways of doing it. There is examining one's existing database, assuming one has a donor database. It is possible there are companies, even charities, who can do it, to analyse the existing database against other publicly available information such as list of directors, shareholdings, and other indicators of wealth. You can actually find donors on your list who may have only ever given a small amount one or two times, but you find out that they have a far greater wealth and a far greater propensity to give and therefore one can target them however one chooses, whether that is through a personal contact or by direct mail or whichever method you want. Another way is to look at past history of giving, and there

are advanced sophisticated charities that can examine a database and look at recency, frequency and value. How much someone has given, how often and when was the last gift? There are some mathematical algorithms you can apply, to work out how much someone should be asked for next and so on. Charities have been doing that for many years, a couple of decades, certainly as long as there has been fundraising databases.

366. DAVID PRINCE: So it is possible to produce quite a sophisticated target list then?
367. HOWARD LAKE: Yes, very much. It can, in the end, just come down to a few individuals depending on the size of the database. But those one or two individuals could hold the key to future funding success; that is why individual major donors are very valuable to many charities.
368. DAVID PRINCE: One final question that touches on some of the issues that I am concerned with, major donors. Do you in the charitable sector tend to experience major donors wanting to heavily influence the direction of the investment policy within the charity? What is the cut off around donation size in your experience?
369. HOWARD LAKE: I think the problem is different charities have different definitions of a major donor, so if you talk to one of the big charities, Cancer Research UK, they will have a certain figure, it will be - I do not know what it is - say £50,000, whereas for a very much smaller regional organisation a major donor is anyone who has given over £100 in one go. So there is no formal definition of a major donor.
370. DAVID PRINCE: If they are classified as a major donor, at what point does their propensity to want to influence the policy and direction of charity come in? Or is it made clear to them from the beginning that that is just not the deal?
371. HOWARD LAKE: I think that is either understood or is made clear. I am not aware of major donors trying to influence charity policy. I think maybe that is the way charities present their fundraising appeals. If they can encourage an individual to make a large donation then they can make it clear what the benefits are, for example, naming a building, naming a room, or becoming a member of their patron circle with benefits of turning up to events or whatever. Donors trying to influence a charity by making donation, I am not aware of that being an option or being discussed. There are too many checks and balances with the governance of charities with trustees to make sure that an individual could not influence the policy, I believe.
372. SIR CHRISTOPHER KELLY: In my experience of charities it works in a slightly different way, which is that the donor may want to support one activity rather than another activity.
373. HOWARD LAKE: That is true. It can go wrong, particularly in terms of legacies if a donor left a legacy for a particular project. If that legacy does not

come to fruition for 10, 20 years then the charity can be left in a tricky position. It has this sum of money, it has been bequeathed, but the project finished ten years ago. How do they deal with that? There are some legal devices that can handle that, but, in general, restricting donations is generally to be avoided. Charities do their best to secure unrestricted donation.

374. SIR CHRISTOPHER KELLY: Mr Lake, thank you very much, that was extremely helpful to us. That concludes the evidence taking for today.