



# HOUSE OF LORDS

Revised transcript of evidence taken before

**The Select Committee on Trade Union Political Funds and Political Party  
Funding**

Inquiry on

**TRADE UNION POLITICAL FUNDS AND POLITICAL PARTY FUNDING**

*Evidence Session No. 1*

*Heard in Public*

*Questions 1 - 7*

THURSDAY 4 FEBRUARY 2016

10.20 am

Witness: Mr Iain McNicol

### Members present

Lord Burns (Chairman)  
 Lord Callanan  
 Lord De Mauley  
 Baroness Dean of Thornton-le-Fylde  
 Earl of Kinnoull  
 Lord Richard  
 Lord Robathan  
 Lord Sherbourne of Didsbury  
 Lord Tyler  
 Lord Whitty

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### Examination of Witness

**Mr Iain McNicol**, General Secretary, Labour Party

**Q1 The Chairman:** Good morning, Mr McNicol. Thank you very much for coming to see the Committee. This is our first evidence session. Normally this would come after we had received written evidence, but because of our very tight timetable we are having to run the processes of written and oral evidence in parallel. Is there anything that you would like to say by way of introductory remarks?

**Mr Iain McNicol:** Yes. Thank you, my Lord Chairman. No one should be under any doubt that the Trade Union Bill will seriously and immediately undermine the Labour Party's finances. Our own estimate is that a change to trade union political funds as proposed could reduce the Labour Party's income by up to £8 million a year. That will have significant consequences. The Committee has been asked to consider the impact of the Bill in relation to the report of the Committee on Standards in Public Life. Two of the underlying principles of that report were fairness and sustainability for political parties. This Bill goes against those principles.

There are three key problems with the legislation as it stands. The first is timing. The Bill requires trade unions, within three months, to receive written consent from every member who currently pays into the political fund to say they wish to continue. This is a huge administrative task on an unrealistic timescale. By way of contrast, the Committee on Standards in Public Life in 2011 noted the need for a proper transition period for any changes and they recommended four years. The Collins report of 2014, based around transitional reforms, was over a five-year period.

Secondly, Parliament has not been given adequate explanation of the impact of the proposals. The Government's own impact assessment suggests that the Bill will result in no change to the number of members contributing to political funds. This is so inaccurate as to be palpably absurd. Experience from Northern Ireland, the examples of Britain in 1927 and conclusions by the Committee on Standards in Public Life all suggest there would be a significant reduction in the numbers affiliated. Our own estimate is that we could see a reduction of up to 90%.

Finally, even if the timing and the information points were addressed, the third and core criticism of these proposals is that they are fundamentally unfair. The Bill is, in effect, party-funding legislation but is only partial reform in that it impacts solely upon the Labour Party while not addressing issues such as donation caps or spending limits. It is, in effect, a partisan attempt to smuggle in reform through the back door. This unfairness goes against a long-standing convention. I could not put it better than Winston Churchill, who told the Commons in 1948: "It has become a well-established custom that matters affecting the interests of rival parties should not be settled by the imposition of the will of one side over the other". This Bill, in effect, throws that principle of fairness out of the window. It is unfair and ill thought-through. Thank you, my Lord Chairman.

**The Chairman:** Thank you very much, Mr McNicol. We are required by the rules of the House to declare our interests before we begin questions. I do not consider that I have any interests to declare in this.

Could you take us a little further with some of these numbers? You mention the reduction of £8 million a year. First, what proportion of Labour Party funding comes from trade unions, and then what proportion of that is the £8 million? Did I hear you say that you thought it would lead to a 90% reduction?

**Mr Iain McNicol:** Yes.

**The Chairman:** How does that square with the history you described—1926—when I think the impact then was somewhat less than that?

**Mr Iain McNicol:** It was a different model then for trade unions to collect subs and political levies. There were far more factories and workplaces. They did not have cheques; it was face to face and often done in cash.

To give you a feel about our overall funding and how the trade union loss would impact on that, currently, outside a general election year our income is about £30 million. About 30%

of that, £8.6 million, is currently from trade unions in affiliations and donations. The rest of the funding is made up through members' donations, Short money, et cetera.

The starting point is what is in the Committee on Standards in Public Life, where it talks about a 30% reduction. That is over a transition period of four years. The Bill has another two stipulations. The first is the timescale, which is over a three-month period. There is another issue, which has been discussed in the House, with regard to check-off and if there are changes in the trade union ability to do check-off. Trade unions' primary priority will be to retain or to sign back on to direct debit as many of the check-off members that they would lose. The primary priority over the next year to 18 months would be doing that. Signing people up in writing—and this is another issue—to the political fund will be a secondary issue to check-off.

It will have to be in writing. We live in the digital age. I receive my bills; I am online; the forms I fill in are on computer. If you look at the response rate from direct mail by post—in the impact assessment, it would be done by post—it is a small return. If you take the timeframe, the priority of the trade unions dealing with check-off first, and you take the method, that would reduce it from 30% in Northern Ireland just now down to 10%.

**Q2 Lord Callanan:** I need to declare that I am a member of the Conservative Party. Following on from your point on that, what percentage of a trade union's political fund goes to the Labour Party? They can presumably fund all sorts of campaigns with it or, if they wish, give it to other political parties. I assume it varies from union to union, but perhaps you could help me by giving some examples of how much of that political fund goes to the Labour Party.

**Mr Iain McNicol:** Half of the trade unions that have political funds are affiliated to the Labour Party. In 2014, trade union political funds that were affiliated to the Labour Party raised £22 million. Of that £22 million in 2014, £10 million came to the Labour Party. So less than 50% of trade union political levy comes to the Labour Party.

**Lord Callanan:** Presumably, if the case that you are putting is that fewer people would affiliate to the political fund if they were given an opt-in choice as opposed to the current opt-out choice, the option presumably is open to the trade unions, if they wish and their members agree, to spend less on other campaigns and give a bigger proportion of the funds they have left to the Labour Party. How do you arrive at your estimate that you would be £9 million down?

**Mr Iain McNicol:** Because of the reduction in the number of people who would sign up to be members of the trade union political funds. The 90% is across the board in the number that we would sign up. It comes from that amount, which would then come across. The relationship is at a collective relationship level.

**Lord Callanan:** Presumably, if I can explore this point, it would be up to the unions whether they wished to continue giving 50%. In future, such is their annoyance at this change, they might want to give 90%, or perhaps 100%, of what they have left over to the Labour Party as opposed to spending the money on other funds.

**Mr Iain McNicol:** They may well do.

**Lord Callanan:** Your estimate depends on what the unions do. If they continue to give only the same proportion, your estimate may be true, but they could give a higher proportion of what was left over.

**Mr Iain McNicol:** They could do, yes.

**Lord Callanan:** You just assumed that they would continue to give the same proportion out of their political funds to the Labour Party.

**Mr Iain McNicol:** As to the money that comes across, the affiliations are £3 for each of the individual members. That is on the £2 million trade union levy payers who affiliated collectively through their trade unions, working on those figures. Then there is the impact of a short timeframe, the number of people who would sign up in writing by post and the other responsibilities or pressures that there would be on the trade unions.

**Earl of Kinnoull:** I have no interests to declare in this matter. Thank you for running us through how you reach the 90%, but am I right in saying that that would be the percentage at day one? In fact, it appeared that you were saying you felt that it would trend back over time to 30%, which is the percentage in Northern Ireland.

**Mr Iain McNicol:** It could well do. You are correct that 90% is at day one. In Northern Ireland, about 30% of trade union members opt in to the political fund, but in Northern Ireland just now there is not a five-year cut-off. This Bill says three months initially in writing and then repeated every five years. There is an expectation that it would rise. Even if it rose over the five years to the 30%, that is still a 70% reduction in £8.6 million.

**Earl of Kinnoull:** I appreciate that, and I am just trying to tease out some numbers. It is your belief that only 30% of trade unionists would naturally want to opt in to the political levy now.

**Mr Iain McNicol:** Through the current system, there are just over 10% who choose to opt out of the trade union political levy. If that was moved to an opt-in basis, then, yes, it could go higher, but, looking at history and looking at Northern Ireland just now, that is round about the 30% level.

**The Chairman:** But looking at history, it was not that you were left with 30% who were affiliated: there was a reduction of 30%, as I understand it, in 1926, and when it was restored in 1946 it went back to a 50% increase, which is the same as the 30% reduction.

**Mr Iain McNicol:** Yes.

**The Chairman:** I do not want to get muddled about the 30%. There are two concepts of 30% here. One is that there would be a reduction of 30%; the other is that you might be left with 30%.

**Mr Iain McNicol:** Yes. It is the “left”. In 2011, the Committee on Standards in Public Life, on their estimations, said that they expected it would be round about 30% of the current level.

**The Chairman:** A 30% reduction on—

**Mr Iain McNicol:** No, 30% on—

**The Chairman:** So it goes from 90% to 30%.

**Mr Iain McNicol:** Yes.

**Q3 Lord De Mauley:** I declare that I am a member of the Conservative Party. Exploring this point a bit further, are you saying that if members are made aware that they have a choice they will not pay the money?

**Mr Iain McNicol:** If they are “made aware”, no. What we are saying is this. The system just now is an opt-out. Every 10 years members are made aware. All the trade unions have to carry out political fund levy ballots, which they did in 2014 and 2004. When the trade unions balloted their members on whether to retain the political fund, which was first introduced to the ballots in 1984, the turnout of that was about 30%, but of those turning out to vote, 85% and upwards voted to retain their political fund. It is the mechanisms and the timeframe that would lead to the reduction. There is also a fairness issue at the heart of this, which is that any previous changes to the funding of any of the political parties has been done on a cross-party consensus. This breaks from that cross-party consensus in affecting the funds of one individual political party.

**Lord De Mauley:** Perhaps I should rephrase my question. If members are made aware that they have a choice as to whether their money goes into the political fund or not, you seem

to be saying that your funding is going to reduce by £8 million. I do not understand your answer then.

**Mr Iain McNicol:** I am sorry, my Lord Chairman, I am not clear on what—

**Lord De Mauley:** If they have a choice, they will not choose to do so to the tune of £8 million.

**Mr Iain McNicol:** They have a choice just now. The choice is whether to opt out.

**Lord De Mauley:** But they are not aware of it at the moment. Why, otherwise, are we going to see a loss of £8 million?

**Mr Iain McNicol:** Why? Because of the mechanisms written within this Bill, which say that it can only be done in writing and we cannot use telephone, internet or emails. There is a mechanism. If you look at the response to direct mail that is sent out by charities, by organisations that many of us are a member of, the industry response to those is very small—anywhere between 1% and 10%. So there is an issue around the mechanism. The other is the timeframe. The impact assessment only looks at one letter being sent from the trade unions to their members, with no money in advertising basically showing and explaining that it is through the political fund. The Government currently use opt-out in the auto-enrolment of pensions, so there are reasons for using and working with auto-enrolment.

**Baroness Dean of Thornton-le-Fylde:** Good morning, Mr McNicol. I am a member of the Labour Benches in the House of Lords. I am also a member of the Labour Party and Unite the Union.

Picking up the point about opt-in or opt-out, at the moment, as I understand it, every trade union member has to have their attention drawn to their ability to opt out of paying the political fund.

**Mr Iain McNicol:** Yes.

**Baroness Dean of Thornton-le-Fylde:** What percentage at the moment do that?

**Mr Iain McNicol:** Some 11% of trade union members of the affiliated trade unions opt out of the political fund.

**Baroness Dean of Thornton-le-Fylde:** Are they all notified of that each period that you have to do the—

**Mr Iain McNicol:** Yes. In the political fund ballot—which has now happened four times: 1984, 1994, 2004 and 2014—all members are balloted on the union retaining a political

fund. Every 10 years they have a ballot paper in front of them on whether or not the union should retain the political fund.

**Baroness Dean of Thornton-le-Fylde:** As I understand it, your point earlier was that, under the provisions, the requirements, they have to write to the members.

**Mr Iain McNicol:** Yes.

**Baroness Dean of Thornton-le-Fylde:** They cannot use social media or any of the other stuff that we all use now. The member also has to put it back in writing.

**Mr Iain McNicol:** Yes.

**Baroness Dean of Thornton-le-Fylde:** Is that part of the financial impact on the Labour Party that you are talking about?

**Mr Iain McNicol:** No; that is a financial impact on the trade unions.

**Baroness Dean of Thornton-le-Fylde:** Yes, I understand that, but the indirect and, at the end of the day, the cost—

**Mr Iain McNicol:** Yes. The impact assessment talks about a cost of £8.4 million over two cycles. Any political activity of trade unions is heavily regulated, and that regulation means that any activities on political work, such as carrying out the political fund ballot, carrying out these activities, would come out of the income that they receive just now. So, yes, there is a financial burden for the trade unions.

**Lord Whitty:** I should declare that I am a member of the GMB and the Labour Party, and, indeed, I once did your job. In relation to Lord De Mauley's question, you have made it clear that members joining are made aware of the right to opt out, and every 10 years are made aware of it. The reason why there would be such a big fall-off is primarily because, with the means of communication that are proposed and analogous situations, a significant number of people would not reply.

**Mr Iain McNicol:** Yes.

**Lord Whitty:** Those "not replies", under this system, as I understand it, would be counted as "no"s.

**Mr Iain McNicol:** Yes,

**Lord Whitty:** That is what makes a big shift in this system.

**Mr Iain McNicol:** It does.

**Q4 Lord Tyler:** I should declare that I am a member of the Liberal Democrat Party. I have also noted a non-pecuniary interest as co-author of the 2013 cross-party report *Funding*

*Democracy* to which the Joseph Rowntree Reform Trust grant-aided the engagement of a legislative drafter to produce a draft Bill on the funding of political parties and thereafter to publish and promote it. I am sorry about the length of that.

You said in your original statement that, as far as you were concerned, the impact statement that the Government produced on the Bill was palpably absurd. Can I ask whether the Government invited any evidence, any data, any views, on the impact statement in relation to the two clauses with which this Committee is primarily concerned—Clauses 10 and 11?

**Mr Iain McNicol:** We were not requested, as far as I am aware, but I will go back and check. There is a contradiction. The reason why I said that about the impact assessment is because there is a contradiction at the heart of the impact assessment. The contradiction is that it says there will not be any drop-off in the levels of individuals who would sign up to their trade union political levies, but at the same time it says there are people who, they believe in the impact assessment, would not sign up. You cannot really have it both ways. You cannot say that there will be no impact and say that nobody will drop out from the political fund. It is either one or the other.

**Lord Tyler:** May I follow that very briefly? In the summary of the impact assessment relating to the reform of political funds, it describes the scale and key monetised costs by “main affected groups”. It is implied by your response that Ministers and the Government do not regard the Labour Party as a “main affected group”. Is that your explanation?

**Mr Iain McNicol:** Yes, that would be mine. If you look at a comment, or a quote, in the House of Lords by Lord Forsyth, he said: “The debate in the Conservative Party and the Government at the time was that we should change the law to make it a requirement to opt in. I decided that we should not do that and the Government took that view. I decided that we should do so not for the reasons about party political funding but because I thought that it would be unfair to the Labour Party, reduce its funding and inevitably start a debate about state funding of political parties”.

**Lord Sherbourne of Didsbury:** I declare an interest as a member of the Conservative Party; I am an extremely modest donor each year—very modest indeed. May I come back to the mechanism about opting in and opting out? I completely understand that, if people are given the choice to opt in or opt out, one wants to make it as easy as possible. If you had the current mechanism that now exists for opting out, if and when we move to opting in, would you be happy with that?

**Mr Iain McNicol:** Do you mean if we retained the opt-out?

**Lord Sherbourne of Didsbury:** No. Let me give you an example. If I am a member of a trade union and I want to opt out under the present system, I have to do certain things.

**Mr Iain McNicol:** I understand that.

**Lord Sherbourne of Didsbury:** Would you be happy for that method to be the same for opting in?

**Mr Iain McNicol:** The current method is a similar method, and the point you are getting to is that you need to write to—to contact—your trade union to opt out of the political fund. I am more than happy to come back to that in writing because I would need to look at what the implications of that would be, but part of the argument against moving to the opt-in with written consent—and only in writing—is that that, coupled with the timeframe, would severely reduce the numbers.

**Lord Sherbourne of Didsbury:** The point I am getting at is this. If you are unhappy with transferring the current method for opting out to opting in because you think it is not very clear to members, are you not emphasising that the present system for opting out is not clear either to members?

**Mr Iain McNicol:** No, it is clear, as changing to the opt-in method in writing would be clear. There is a mechanism at the start when individuals join trade unions. There is a choice not just about the political fund; there is a choice for individuals as to whether to join a trade union or not. The closed shop does not exist any longer. I will come back to you in writing on that specific point because I need to have a look at how and what the impacts of that would be, but it is the principle of opting in—with the constraints around it—that would lead to the financial difficulties for the Labour Party.

**Lord Sherbourne of Didsbury:** If somewhere there was a very good system for people to opt out now, one could look at that as being an option for opting in.

**Q5 Lord Richard:** I am a member of the Labour Party and the GMB. You were being pressed, Mr McNicol, in effect, to give mathematical certainty as far as this is concerned. You cannot give mathematical certainty as to what precisely would happen if you change from an opt-out to an opt-in system.

**Mr Iain McNicol:** Yes.

**Lord Richard:** If you cannot give mathematical certainty about it, you have to do it on the basis of a certain set of working assumptions.

**Mr Iain McNicol:** Yes.

**Lord Richard:** I want to look at those working assumptions with you for a moment. One of them has been raised slightly by Lord Callanan, which is the percentage of the political fund the trade unions would give to the Labour Party. Of course it is true that they can “up and down” it—not quite at will, but they have a power to do it. Is it your working assumption that, broadly speaking, trade unions give approximately the same amount to the political fund each year, to the Labour Party, in one form or another?

**Mr Iain McNicol:** Yes, it is approximately at the same level. The figures that I used were the 2014 figures. The affiliated trade unions raised £22 million through their political levy. Of that, in affiliation fees and donations, £10 million came across to the Labour Party.

**Lord Richard:** If you go back over the years, it is approximately about the same percentage that they give.

**Mr Iain McNicol:** Yes.

**The Chairman:** Does it change on the electoral cycle?

**Lord Richard:** It depends on the electoral cycle; I accept that.

**Mr Iain McNicol:** The change is around funding of general elections. All political parties have a core funding, whatever that level is, but in the run-up to a general election, from about 18 months to a year out, funding increases, whether that is from modest donors, high-value donors, trade union funds or from members. There is an increase that comes in donations, but that has been averaged out across to give you the £8.6 million.

**Lord Richard:** As far as Northern Ireland is concerned, when they changed from one system to the other, was there an immediate rise in the percentage of political funds that went to the party?

**Mr Iain McNicol:** I do not know the answer to what happened in Northern Ireland at the point of change.

**Lord Richard:** What about 1927 here?

**Mr Iain McNicol:** In 1927, the last time that we moved from an opt-out to an opt-in system, there was a dramatic drop in the levels, but it was a different world in 1927. Trade union funds were collected in a different way; it was often cash and face to face in workplaces. We are in a very different world now, but even then there was a significant drop in the level of funding that came into the trade union political funds.

**Lord Richard:** You cannot be mathematically certain—we all accept that—but doing the best you can, with the assumptions that you make, are you clear that if this happens there would be a diminution in the party's funding of the Labour Party?

**Mr Iain McNicol:** Yes. That is not just my assertion or assumption; that is Lord Forsyth's, Sir Hayden Phillips and the Committee on Standards in Public Life. There is an assertion in all those that there will be a drop in the numbers affiliating to the trade union political funds and hence the money—

**Lord Richard:** Do you know why Mrs Thatcher did not do this?

**Lord Callanan:** That is confusing the two issues.

**The Chairman:** Let him answer.

**Mr Iain McNicol:** Michael Forsyth explained in his quote why the Thatcher Government did not do it and—

**Lord Robathan:** It was a quarter of a century ago.

**Lord Callanan:** A different world.

**Mr Iain McNicol:** Absolutely. I am not sure whether it is written or unwritten, but there has been consensual agreement that any changes affecting the funds of any individual party are done on a cross-party consensual basis. If you look at the remit in the Committee on Standards in Public Life, it picks up on that. This is the first time that a Government will be making a change to a political party that is to their detriment financially. It sets a dangerous precedent.

**Lord Richard:** Mrs Thatcher was not agreeing to it.

**Mr Iain McNicol:** Yes.

**Lord Callanan:** Can I come back on this point? I am still unclear. You have been very precise in the figures and in the percentage that might affiliate, but that is to the political fund. I do not see how you could know whether the unions will still choose to give the same percentage of their political fund; at the moment, it is 40% or 45%. They may choose to give 90% of their political fund in future. Do you have any indication from the unions that they will give proportionately more or less of that—in your argument—smaller political fund, if members are given a choice about whether they pay into it or not? The political fund will be smaller, but they could give a bigger proportion of that to the Labour Party.

**Mr Iain McNicol:** You are right. The political fund would be a great deal smaller because of the timescale and the methodology in individuals responding. I have not had any

conversations with any of the trade unions with regard to a possibility of them increasing the level that they give across to the party, no.

**Lord Callanan:** Your £9 million quotation is speculative. You really do not know. They could give a bigger proportion. As you said, the proportion varies, whether it is pre-election year or a normal parliamentary cycle. We all understand that. They give a larger proportion in the pre-election year, so presumably in previous years they have given a smaller proportion. They might choose to give a bigger proportion in future.

**Mr Iain McNicol:** They may well do, but through this process their trade union political funds will be severely reduced.

**Lord Richard:** I suppose it is just as speculative to say that perhaps the hedge fund people in the City would like to donate to the Labour Party the amount that we would be deprived of if this Bill goes through. It is just as speculative as that put by Lord Callanan, is it not?

**Lord Callanan:** Individuals donate to political parties as individuals donate to—

**Q6 Lord Robathan:** I should declare that I am a member of the Conservative Party. I donate a certain amount to the South Leicestershire Conservative Association each year. It is not a modest sum, as far as I am concerned, but I opt in. Both the questions I have are on the voluntary nature of political donations. Mr McNicol, you referred to this policy being fundamentally unfair. That is the reasoned position you take. I would put it to you that there are a large number of people who donate to political funds who do not support the Labour Party but end up unwittingly paying money to the Labour Party, and I consider that is pretty unfair as well. What do you think?

**Mr Iain McNicol:** First, an individual has the right or not to join a trade union, so they have an individual choice in that on whether they join or not. Secondly, they have an opportunity to opt out of the political fund, which, as we picked up, about 11% of trade union members do. Thirdly, every 10 years, there is a political fund ballot for any members who are members of a trade union to decide whether or not they still have the political fund.

**Lord Robathan:** If I were a member of a particular union and wanted to subscribe to the political fund because the union does good for me in political campaigning, in whatever it might be, but happened to vote, God forbid, for the Liberal Democrats, I would not have the opportunity to register that in my subscription to a political fund because that would be by a ballot overall.

**Mr Iain McNicol:** Correct.

**Lord Robathan:** That seems to me to be an involuntary donation, if I might say so.

**Mr Iain McNicol:** With the opportunity to opt out.

**Lord Robathan:** But I like political parties. My next point is a broader one, again about voluntary donations. Since the winter of discontent in 1978-79, membership of trade unions, as you know, has fallen by half—in fact more than half, and, indeed, membership of trade unions is likely to continue to fall, I would suggest, but that is speculative, so let us not speculate—whereas this last year, in your leadership contest, your own press reports said that something in the region of over 100,000 people joined the Labour Party to take part in the leadership contest. Is that not a better way for you to get voluntary donations—from these obviously keen people who have bothered to sign up to join the party? Is it not, in the long term, a better way forward for the Labour Party to gather funds from voluntary individual donations? Although the Conservative Party has a lot of big donors, it also gets donations, which may seem huge to the Robathan family, from me.

**Mr Iain McNicol:** Apologies, your Lordship. Can you repeat the end of that?

**Lord Robathan:** I am saying, from the Labour Party's point of view, in the long term, should you not be looking at more individual voluntary donations—I think it was £3 you charged—and would it not be better to charge £30? In fact, I think it is £45 or something to join the Labour Party normally.

**Mr Iain McNicol:** Yes, it is.

**Lord Robathan:** Would it not be better to get those 100,000 people to pay their money to the Labour Party direct?

**Mr Iain McNicol:** We have contacted those. That was one of the big reforms that came through the Collins reforms in 2014. They protected the collective affiliation, which is part of our history between the trade unions and the Labour Party, but we wanted to give individuals an opportunity to have far greater engagement and involvement within the Labour Party. Through the trade unions we looked at a category called “affiliated supporter”, which was over 140,000. The affiliated supporters gained extra rights, but, crucially, their details individually came across to the Labour Party. What these changes in the trade union political funds do, in relation to opt-in or opt-out, is nowhere near the same level of engagement or involvement. The affiliated supporters would become affiliated supporters of the Labour Party; they would have a vote in the leadership and the ability to attend constituency Labour Parties; crucially, their details would come across to the Labour Party,

and then we could contact them, which we have done, exactly as you suggest. The fundamental difference is that the changes that this Bill proposes are not in the same area. They go to the core source of this, which is the relationship between the individual trade union member and their trade union on the political levy and political fund. This was a separate level, which was about the individual relationship between the individuals and the party.

**Lord Robathan:** Finally, and very briefly, have you had any success with these 140,000 new members signing up for rather more?

**Mr Iain McNicol:** Our membership has increased in the last 12 months.

**Lord Robathan:** And the income.

**Mr Iain McNicol:** Yes, and the income, but you know as well as I do that income from membership can—

**Lord Robathan:** “Blood out of a stone” springs to mind.

**Q7 Earl of Kinnoull:** I have in front of me the Kelly report. Recommendation 4 of the Kelly report was to move to an opt-in basis. At the same time in preparing for things, I have been trying to look at people’s commentary on the Kelly report at the time it was delivered. Could you comment on why the issues that you have so eloquently raised today are not really there on the record at the time the Kelly report came as being quite big funding issues for the Labour Party?

**Mr Iain McNicol:** Is it correct that there are 24 recommendations in the Kelly report?

**Earl of Kinnoull:** Yes; there is a huge number.

**Mr Iain McNicol:** Those 24 recommendations cover all the political parties and deal with caps on donations. Was the cap on donations £10,000?

**Earl of Kinnoull:** Yes.

**Mr Iain McNicol:** It was not just dealing with one aspect of funding of one political party; it dealt across the board. The recommendations for the £10,000 cap on donations, if I remember correctly, was objected to by a number of the different parties. I am not sure if there was a cap on spending at elections as well to try and reduce the amount of money that was spent on elections. It was an overall package. The final recommendations talk about an increase in state funding for political parties as well, which I think was an issue at the time for some of the political parties. That was a holistic approach across a number of different funding methods, across a number of different political parties. It was not just taking out one

political party and one part of their funding, and dealing with that. Fundamentally, it was on a cross-party consensus basis—the principles of the Committee on Standards in Public Life.

**The Chairman:** Mr McNeil, thank you very much. I am afraid our time is up. You have heard the types of questions we have. If there is any further evidence that you can give us, with some more detail about how it is that you have arrived at your numbers, it would be very helpful. It would also be particularly helpful to know what difference you think it would make if some of the other proposals that were in the Bill were not in the Bill: for example, if you had access to electronic means of doing this. There is the third one too, which you touched on, where you said that the problem is increased because of the check-off move, whereas it seemed to me that was an opportunity itself to ask both questions at the same time and it was not clear to me why that should make the problem worse rather than make this particular part of the problem easier, because you could put the question in terms of the opt-in at the same time as you change to the different method of paying.

I hope that you have heard the types of questions that the Committee has been asking and is interested in, and anything more you can give us in written evidence that sets out your assumptions, and what some of the mitigations might be that would help in this, the Committee would find very helpful.

**Mr Iain McNicol:** Thank you.

**The Chairman:** Is there anything you want to say by way of closing?

**Mr Iain McNicol:** No. Thank you for the opportunity to come and present in front of you. The last point to leave you with is the one from the start, which is Winston Churchill's quote that the Government of the day should not use the power of the state to inflict financial penalties or changes in political funds or changes to funding of political parties without consent across all the political parties. It sets a dangerous precedent.

**The Chairman:** Thank you very much.