



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. 9

Heard in Public

Questions 67 - 74

THURSDAY 11 FEBRUARY 2016

12.05 pm

Witness: Rt Hon Nick Clegg MP

Members present

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

Examination of Witness

Rt Hon Nick Clegg MP

Q67 The Chairman: Mr Clegg, we apologise for keeping you waiting. Thank you for that. We have had a busy morning so far. As you know, we have to do the whole exercise in a very compressed timetable. Is there anything you would like to say by way of an opening statement?

Mr Clegg: I am very honoured to be invited to be with you for a short period of time this afternoon. The work of the Committee is tremendously important. Aside from the detailed substance of the Bill under scrutiny, my view—given that its impact, whatever anyone says, is disproportionately aimed at one political party to the exclusion of others—is that it departs from a long-standing habit or tradition, if I can put it that way, that issues to do with money and power in British politics are dealt with on a cross-party basis.

It is a very unwelcome development when a new Government, in effect, Americanises Westminster politics. That is what is going on. In America, there is a very unseemly tradition of new incumbents in power busily trying to rig every rule in sight to the detriment of their opponents. We have generally avoided that in our country, whether it is party funding, electoral reform, House of Lords and so on. In all those quasi-constitutional issues we have sought to try to move as a flotilla of parties working across party boundaries. That is being grievously damaged.

I also think that, politically, the Government will rue the day they do this because one day the boot will be on the other foot. It might not feel like it at the moment, but one day the

Conservatives will not be in power. I do not think people will forget in a hurry that they sought to use this legislation for partisan purposes. I know this only because I spent five years blocking these measures precisely because I felt their partisan intent was not right. Quite understandably perhaps, the Conservatives, free from the constraints of coalition, have now decanted all those measures into this measure.

From the Government's point of view, they need all the help they can get from other parties to make the wider case in the national interest about Europe in the run-up to the referendum. This Bill, combined with the cut in Short money, which is a very spiteful and petty measure, the growing evidence that constituency-wide funding limits have been breached and the politicisation of special advisers and so on, sours and significantly departs from the broad framework of cross-party collaboration on these issues in the past. That is a great shame.

The Chairman: Why do you think the parties were unable to reach agreement following publication of the report of the Committee on Standards in Public Life, which put forward a proposal that had impacts on all parties? It seems to have gone nowhere and, as far as we can see, there is very little activity in this area.

Mr Clegg: Dare I say that your smile might suggest that you anticipate the answer that there was no interest, particularly from the two larger parties, in entering into agreement? I remember vividly over 2012-13 taking Christopher Kelly's committee's recommendations as a loose blueprint. I convened the cross-party committee. The political parties circulated various worthy documents saying they would do this, introduce a limit here and deal with trade union funding there and all the rest of it. When push came to shove, the political decision was taken to pull the plug on the whole thing, because no party, particularly the better funded and larger ones, had any interest in reaching a compromise. Between the Conservative and Labour parties in particular there was always an obvious trade-off between moving to something akin to what we have in this legislation—opt-in and so on—but, on the other side of the ledger, the Conservatives accepting a cap on individual donations. Every single committee and cross-party group that has ever looked at this question has accepted that you need some kind of limit on individual donations. Everyone accepts that that is the basic symmetry of the deal. It became quite obvious, as I was told by senior Conservatives,

that they did not want to do anything that would prevent them keeping their coffers in the healthy state to which they had become accustomed.

Q68 Lord Whitty: You indicated clearly that you broadly supported the Chris Kelly report. In relation to various bits of it, the issue we are discussing today about opting in or opting out of the political fund was not in those terms in the Chris Kelly report. The bit in that report, as far as Labour Party money coming from the trade unions was concerned, related to affiliation fees and the individualisation, if I can put it that way, of those fees. Since then the Labour Party has adopted rules that, as far as affiliation fees go, will work out very close to the Chris Kelly proposition. Would you agree with that? Do you regard it as at least a partial delivery of that side of things, albeit not in the overall context of all the other recommendations of Kelly?

Mr Clegg: I thought Kelly pulled his punches on that particular issue. The Kelly recommendations were a blueprint; they were a compromise among themselves. Personally, I had never had any first-principle objection to the idea of the opt-in model. I am not a Labour Party member so I am not very close to this, but the Collins reforms were clearly about the affiliation fee. Some analysts and academics have observed that, even if the £3 that goes into the affiliation fund is done automatically rather than individually, it would still give trade unions a huge war chest to play with.

I am no sepia-tinted romantic when it comes to the trade union-Labour link. I personally suffered from what I thought was wholly unacceptable use of trade union funds for political purposes in my own backyard of Sheffield for many years. The principle I am defending is not whether the Collins reforms are a sufficient surrogate for what is in the Bill, which perhaps lies behind your question, but the fundamental injustice in my view of applying an asymmetrical solution that affects only one party—in this case the Labour Party. That is what is so very wrong.

I do not have huge objections to the idea that you have an individual opt-in approach and it is renewed every few years. It clearly goes further than the Collins reforms. The Collins reforms go some way to meeting the Kelly suggestions. I agree with all that, but in trying to distinguish one from the other I do not think I am particularly well equipped to adjudicate. I am better equipped to adjudicate when I say it is fundamentally wrong to do this in such a partisan way.

Lord Callanan: You said in relation to the 2011 report that the Government believed the case could not be made for greater state funding of political parties at a time when budgets were being squeezed. Do you still believe that?

Mr Clegg: Yes, at a time of austerity. At the time, David Laws on my behalf distributed countless creative ways of using more intelligently the substantial public funding—rather more substantial than the public is aware—that already goes to parties. Quite a lot of money goes in from the public coffers either by proxy—free airtime, broadcasting—or directly by Short money, Cranborne and so on. What we proposed at the time was not a net increase. I am now speaking on behalf of myself as then leader of the Liberal Democrats. We did not advocate a net increase in public funding but a more sensible, fairer and more transparent redistribution of it.

I accept these are strong words, but I feel very strongly about it. It is petty and spiteful for a new Government to come in and make a 20% cut in the public money through Short funding that goes to their opponents, particularly when the Conservatives in opposition got a whacking increase in Short money granted by the Government of the day. That is why they will rue the day. The wheel goes round in politics—I hope; I believe. That is why it is so important that over time people take the longer view and do not try to secure short-term advantage when the roulette wheel happens to be spinning in their favour.

Q69 Lord Robathan: Nick, you will be surprised to hear I agree with a couple of things you say, not least that it would be very dangerous to get into an American-style petty war on this. It may be that one day the Conservative Party will not rule this country. Who knows? I take your view that one does not want tit for tat. That is absolutely right. What you have missed out, if I may say so, is that this was a manifesto commitment on which the British people voted. Not many of them may have read the details, but they did vote it in as a manifesto commitment. Do you agree that it is extremely important that a Government just coming in hold to their manifesto commitments?

Mr Clegg: Yes, of course, but you cannot invite me to agree with the Conservative Party manifesto. I thought it was petty and partisan when it was in the Conservative Party manifesto.

Lord Robathan: But it was voted for by the good British people.

Mr Clegg: I did not meet a single constituent in my constituency who said, “The reason we think the Conservatives deserve our vote is because they are going to do in the Labour Party”. I am sorry; actually, that might have been the case. Let me rephrase that: “do in the Labour Party by using legislation for these partisan ends”. The only reason I am very familiar with the thinking behind it is that, as I intimated earlier, very senior Conservatives invited me on numerous occasions over five years of coalition Government to introduce these measures, either the opt-in or the threshold as the trigger for strike ballots, time and time again. I kept saying no, not for the reason that I object to the substance of opt-in—I have no principled objection to it—but because I thought the coalition Government should be what it said on the tin, which was two parties, albeit temporarily, acting in the national interest, not a permanent realignment of two parties ganging up against another one; and because if we had done it then, it would be, as this legislation now is, a breach perhaps not of a formal convention but certainly a long-standing habit and tendency for political parties to try to agree.

I spent much of my time over the past several years trying to cajole politicians from other parties, whether it be on alternative vote, House of Lords or party funding, all fruitlessly as it happens in those cases.

Lord Robathan: The great British people voted against PR.

Mr Clegg: They did, and thank you for reminding me of it.

Lord Robathan: Overwhelmingly.

Mr Clegg: Okay, but the point still holds that the vote in that instance was preceded by lots of deliberation across parties. As you have raised it, ironically the thing that made its way on to the ballot paper was the policy of the Labour Party, not the policy of either the Conservatives or Liberal Democrats. That is one of those little ironies of history. My point is that all that effort showed meticulous adherence to a cross-party approach to how money and power are circulated in the British political system. That is what is being breached here, and that is wrong.

Q70 Earl of Kinnoull: I am probing the status of the Kelly report. We had Lord Bew here earlier this week. He said a number of interesting things: first, that all the major parties’ manifestos said progress was needed in the area of party funding; and, secondly, that not a single party had formally endorsed the Kelly report over the period, which I must say I had

not picked up in the past. What is the status of the Kelly report? Perhaps you could comment. Is it a bible that we should all pay a lot of attention to?

Mr Clegg: It is not a tablet of stone. I am afraid it is just one of countless reports on party funding that have been issued over time.

Earl of Kinnoull: But it is the very report we are being asked to examine.

Mr Clegg: It is the latest one and it is a very creditable piece of work. It was done diligently with great authority, but I do not think Christopher Kelly, certainly in the conversations I had with him, ever expected he would produce a tablet of stone and everybody would fall to their knees and say, "Hallelujah! We will adopt it hook, line and sinker". It was always going to be the framework for cross-party negotiation, but I think everybody accepted the dilemma—the problem it sought to solve—and the basic tramlines and trade-offs it established between a cap on individual donations on the one hand and reform of trade union funding on the other. Those are the two political pillars. They represent the big sacrifices or compromises by the two larger parties in British politics. I think everybody accepted that. Was every "t" crossed and every "i" dotted and endorsed by every party? Of course it was not, and I do not think he would have expected it.

Q71 Lord Wrigglesworth: Would you agree with the assertion that the evidence of the last campaign in particular demonstrates that the Americanisation of British politics, to which you referred, is going on apace in the scale of money being spent, by those parties which have it, on electioneering? Do you agree that in many respects there is a sea change in the amount of money and the part that money plays in our political process?

Mr Clegg: Part of the problem is that we have rules that look a bit quaint, frankly, in the face of the ingenuity with which technology is now used by political parties and campaigners. Do not take my word for it. Jim Messina, the American chap who apparently did so much to help the Conservatives, said publicly that he thought they had spent about £30 million on the election campaign when the national limit should have been £18.5 million. He said that they had spent well beyond the limits under which they should have operated. My hunch is that the way that happened was that they funnelled huge amounts of money through nationally produced literature, which, in effect, was decanted on to people's doorsteps and doormats and through their mailboxes in the guise of local campaign literature. In other words, the local constituency-wide spending limits were made a mockery of, first, because all this stuff

was being mailed out centrally and, secondly—one has to acknowledge—because of some very ingenious, intelligent and smart, if ruthless, use of digital technology, which costs money. You have to buy databases and that costs a lot of money. That is done centrally but then deployed locally. Some of the hired guns of the Conservatives are already on public record as saying they spent far more than they should have done, but the question beyond that is that those slightly old-fashioned constituency-level limits can be easily circumvented through central funding, or through the use of new database campaigning techniques.

Q72 Baroness Dean of Thornton-le-Fylde: Lord Robathan talked about the Conservative Party manifesto and the intention to legislate on trade union opt-in. The second sentence of that said: “We will continue to seek agreement on a comprehensive package of party funding reform”. We have had no evidence from any source that there has been any attempt to carry out that part of the Tory party manifesto. Looking at Clause 10 of the Bill—the opt-in clause—I seek your opinion about not just the opt-in but the fact that every single member of the union will have to opt in, whether or not they have done it before, so it applies to current as well as new members. It will have to be in writing; it will have to be within three months of Royal Assent, or perhaps a little later, as we were told last night in the House; and it will have to be renewed every five years, unless the member, within three months of that five-year period, proactively remembers and then writes again to the union. What is your view of that?

Mr Clegg: As I intimated earlier in response to Lord Whitty, on the substance, I find it quite difficult to recoil from the idea that individual trade union members are invited to make choices for themselves and renew them. I am a liberal. I do not believe in corporatism; I do not like people being signed up en masse either to provide membership fodder or money to political parties. It is not the kind of politics I believe in: I am a liberal. I do not recoil from the process by which it is done formally and explicitly renewed. I find it difficult to object in first principle, although I am not that close to the details.

My objection is that it is clearly intended, whatever the Government say, to have a disproportionate and asymmetrical political effect on their principal political opponents. That is why in the past this was never abstracted in isolation from a wider package of cross-party political funding reform, and it should not be abstracted from that wider picture now. You mentioned, quite rightly, that this and previous Governments have said, although

the words seem especially hollow this time round, that they are going to make concerted efforts to resuscitate the cross-party approach to party funding reform. For instance, I remember discussions with my erstwhile Conservative colleagues on tricky issues like taxation of high-end property, when I would be told in no uncertain terms, “We’re not going to do this. It might be a sensible policy, but our donors won’t like it”. If the kind of system we are now operating in is one where very wealthy donors appear, at least according to what I heard, to have a material effect on how taxation policy is formed in this country, it cannot be right. It cannot be right that that should be happening, and it certainly cannot be right that in that context a party should be able unilaterally to affect the funding stream to its principal political opponent with no sacrifices made to its own funding stream. That seems to me to be wrong.

Baroness Dean of Thornton-le-Fylde: I accept that you have no first-principle objection to an opt-in. That is not really the point I am pressing you on. If the Bill passes into law in its present state, is it your view that it will damage the Labour Party?

Mr Clegg: Clearly, it will damage the Labour Party financially, yes.

Q73 Lord De Mauley: I think you implied earlier that the effect of introducing all the Kelly recommendations would be about equal to the Conservative levy. You used the word “balance”. Do you accept that it would be a big plus for the Lib Dems, because of the introduction of more state funding?

Mr Clegg: We departed from Kelly in some respects. As I hinted earlier, I was not entirely on board with Kelly on his slightly opaque recommendations on trade union funding, but he was much more forthright on an increase in state funding that is politically deliverable or justifiable at a time when the Government are still making huge savings. The Liberal Democrat position in the ill-fated cross-party talks in 2012-13 was not a net increase but a significant reordering and restructuring of the fairly significant amounts of money being provided to parties.

We now have the almost loopy situation where the Chancellor is whacking up the pay of his special advisers by an astronomical amount. Specialist advisers in government are now being paid far more money than was traditionally the case in the past. By the way, because of a change in the *Cabinet Manual* rules, which the Government introduced with no wider consultation, for the first time ever special advisers are now allowed to campaign for their

political party even though they are employed by the taxpayer in government. All of that is happening while there is a 20% reduction in the money going to the basic boiler-room operations of the opposition parties that are there in any democracy to keep the powerful on their toes. "Double standards" does not even scratch the surface to describe how flagrantly uneven that kind of approach is. I very much hope this Committee will be forceful in rejecting it.

Q74 Lord Sherbourne of Didsbury: You said you had no objection in principle to opting in. Can I probe it in one particular respect to understand how that lack of objection in principle arises? Is it your judgment that a number of trade union members might not be aware they can either opt out under the present system or that part of their money might be going to a political party and they might be supporting the Labour Party by default rather than by conscious decision? Is that part of the reason you think that?

Mr Clegg: Yes. Perhaps at a more fundamental level, I have never understood the almost assumed equation between being a member of a trade union and supporting the Labour Party. There are plenty of trade unionists who do not support the Labour Party. Would you believe that there are trade unionists who support the Liberal Democrats? They exist. You may be surprised. I regard political opinion, affiliation and support as a sovereign decision for an individual citizen. One of the fundamental building blocks of an open democracy is that people make up their own mind regardless of whether they are princes, paupers, trade unionists or bankers. That is what democracy is about. It is your decision in the privacy of the ballot box, and yours alone.

I have never liked the idea that somehow by hook or by crook an assumption is made about your political affiliation or your opinions just because you happen to be a member of a trade union. Of course, there are long-standing links, institutional and historical, between trade unions and the Labour Party. One needs to be mindful and respectful of that, but I cleave to a fairly old-fashioned idea that we are all completely autonomous in the political choices we make as citizens of Britain.

The Chairman: Thank you very much, Mr Clegg. It was very kind of you to come, and we are very grateful.