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NEW ZEALAND’S ILL-FATED REVIEW OF MMP

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At a referendum held alongside the general parliamentary election on November 26, 2011, a majority of New Zealand voters chose to retain the Mixed Member Proportional (MMP) voting system first adopted in 1993. This decision then triggered a mandatory review of the voting system by the country’s Electoral Commission, with the task of advising the government on necessary changes to its operation. The Commission’s advice was that a number of changes should be made to the MMP system, particularly in relation to the “thresholds” that a party must surmount in order to gain representation in Parliament. However, the Government refused to act on this advice, citing a “lack of consensus” on the issues. Consequently, this paper first examines the reason why another referendum on New Zealand’s voting system was held only 18 years after voters chose to adopt MMP. It then considers why a majority of voters preferred to retain MMP, before describing the review process that the Electoral Commission undertook. It concludes with some explanation as to why the Government ultimately rejected the results of that review.

**MMP and its purported discontents**

New Zealand’s MMP voting system is a form of proportional representation where each voter casts two votes: a “party vote” directly for his or her preferred political party and an “electorate vote” for the preferred individual candidate in the voter’s electoral district. Each electoral district (currently numbered at 71) returns to the House of Representatives the candidate receiving the greatest number of electorate votes. Additional “list seats” (usually 49 in number) are then apportioned amongst those parties that cross a representation threshold—winning either 5 percent or more of the party vote, or at least one electorate seat—so as to bring each qualifying party’s total number of seats in the Parliament into line with its share of the party vote. These additional list seats are filled from a list of candidates ranked by each party and publicly announced before the election. Therefore, the single most important feature of MMP is that parliamentary seats are distributed according to each qualifying party’s overall support. Simply put, a party receiving 10 percent of the total party vote

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is thereby entitled to at least 12 MPs—whatever electorate seats its candidates may win, plus additional “top up” list seats—in the (normally) 120-member Parliament. A number of authors have discussed why New Zealand, by way of a two-step referendum process held in 1992 and 1993, chose to abandon its lengthy commitment to First Past the Post for this form of proportional representation. The reasons may be summarised as follows:

The impetus for electoral reform in the 1990s reflected a profound sense of voter disillusionment with the radical policies of successive Labour and National governments. While supporters of MMP were doubtless influenced by the promise of a fairer system of representation for small parties and special interests, notably women and Maori, they were also intent on punishing the politicians of both major parties for broken promises, lack of accountability, and a failure to consult. Rather than curbing the powers of the big two parties by way of constitutional reform, with a written constitution and upper house as potential options, MMP provided the less radical alternative of a multi-party legislature and executive. Consequently, MMP was intended to produce a somewhat splintered House of Representatives, in which no one party would hold a majority of seats. This fact would necessitate inter-party arrangements on confidence and supply to allow a government to form, as well as multi-party agreement to progress legislation through the lawmaking process. And so it has proven in the fifteen years since the first MMP election in 1996. Minority governments, where a large party holds executive power

2 A party’s precise seat entitlement is determined using the Sainte-Laguë formula, see Geddis A, Electoral Law in New Zealand: Practice and Policy, LexisNexis NZ Ltd, Auckland, 2007, pp 203-204. In addition, should a political party win more electorate seats than it otherwise would be entitled to under its share of the Party Vote, a parliamentary “overhang” situation will occur and the House of Representatives will swell to more than its usual 120 members. This situation has occurred following the 2005, 2008 and 2011 general elections, due to the Māori Party winning more electorate seats than it would have received based on its share of the Party Vote. Consequently, those Parliaments had 121, 122 and 121 members respectively.


only with the support of smaller parties who formally remain outside of government, have become the norm. Legislation passes at a slower rate than previously, with its details often the subject of negotiation between the government and those parties it relies upon for a majority in the House. The net result is to somewhat undo the almost complete fusion of executive and legislative power that existed in New Zealand under First Past the Post, reducing any one party’s ability to impose its policy preferences on the country as a whole.

However, while these changes to New Zealand’s constitutional ordering largely were predicted at the time of MMP’s adoption, there has been an ongoing current of dissatisfaction with how the new electoral system has operated in practice. One common complaint is that the need for inter-party governing arrangements takes the ultimate decision as to who will form the government out of the hands of voters, as well as gives smaller parties undue influence over policy. Furthermore, minority governments are alleged to be too weak to impose necessary (but potentially unpopular) policy measures on the country. Concerns also are expressed about the power MMP gives a political party’s hierarchy in terms of deciding who enters into Parliament. The existence of party lists is said to enable the election of individuals who could never win support directly from the electorate. Furthermore, it is argued that such list MPs’ dependence on obtaining and retaining a high list position makes them beholden to their party’s leaders to an unhealthy degree.

Added to these various specific concerns was a general sense that voters had been cheated of their opportunity to revisit MMP’s merits. While the Electoral Act 1993 provided only for a parliamentary review of MMP before June 1, 2002, there was a widespread belief that the public were promised they could reconsider the electoral system at a second referendum. Irrespective of the accuracy or merits of these

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8 Electoral Act 1993 (NZ), s 264. This review was conducted in 2001, and resulted in no changes to the existing MMP system. See Government Response to Report of MMP Review Committee on Inquiry into the Review of MMP, AJHR A5, November 2001.
complaints, the then-opposition National Party believed they were widely enough expressed to justify including a further referendum on the voting system in its 2008 election manifesto. Upon becoming the government at that election, it delivered on its promise by enacting the *Electoral Referendum Act 2010*.

**The vote to retain MMP**

This legislation initiated a potentially two-stage referendum process, mirroring MMP’s introduction in 1993. The first stage was a referendum held alongside the 2011 election. It put two questions before the voting public. First, voters could choose whether to retain or change the existing MMP system. They then were asked which of four alternative voting systems they would prefer: First Past the Post; Preferential Voting; Single Transferrable Vote; or Supplementary Member. If a majority of voters indicated a desire to change from MMP, then the government promised to pit MMP against the most-supported of the alternative voting systems in a binding referendum at the 2014 election.

However, on election day 57.8 percent of valid votes were cast in favour of retaining MMP, with 42.2 percent preferring to change away from it. This result compares with that at the 1993 referendum, where 53.9 percent voted in favour of MMP and 46.1 percent voted for the then-incumbent First Past the Post. So not only did this result obviate the need for a second referendum at the 2014 election, it also indicates that MMP has greater support now than at its introduction. There is a number of reasons for why this is so. First, MMP has become the incumbent voting system that New Zealanders are accustomed to. Indeed, voters under the age of 36 only have experience of this method of choosing their parliamentary representatives. Insofar as there is an element of “better the devil you know” when choosing voting systems, this operated in MMP’s favour. Furthermore, while there have been persistent grumblings over aspects of MMP’s operation, there is nothing like the deep disquiet with politicians and politics-as-usual that underpinned MMP’s adoption in 1993. Indeed,

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9 These various voting systems are described at http://www.referendum.org.nz/resources.
10 The raw numbers were 56.2% in support of keeping MMP, 41% in favour of changing from it, and 2.8% casting informal votes. The turnout at the referendum was 74% of registered voters. See http://www.elections.org.nz/elections/resulstdata/2011-referendum-results.html.
the 2011 election saw the reelection with an even greater share of the Party Vote of a
government that had delivered on most of its previous campaign promises.11

This current satisfaction with government performance under MMP meant the issue
of electoral reform struggled to capture the public’s imagination. Not only is it a
rather abtruse topic at the best of times, other factors worked to limit its salience for
voters. Holding the referendum alongside a general parliamentary election meant that
the issue of electoral reform had to compete with the campaigns of candidates and
political parties for the voter’s attention. New Zealand’s hosting of the Rugby World
Cup, with the final game played a mere month before election day, also constricted
that campaign period. Furthermore, while his government had legislated to permit the
referendum and he expressed a personal preference to change from MMP,12 the Prime
Minister (and the country’s most popular politician) did not actively campaign on the
issue. Indeed, in the run-up to the referendum, he indicated his belief that MMP likely
would be retained, while in its aftermath he publicly stated that holding the
referendum was a mistake and that it would have been better to have had the New
Zealand public vote on extending the length of the parliamentary term instead.

For the most part, other members of Parliament mirrored the Prime Minister’s
decision to stay out of the referendum campaign. Rather than being driven by the
established political parties, groups outside of Parliament took on the task of agitating
for and against MMP’s retention. The “Campaign for MMP”, largely drawn from the
union movement and supporters of smaller parties, began publicity activities well over
a year before the referendum vote. However, those opposed to MMP only formed the
“Vote for Change” organisation some 5 months before election day. Further
hampering this group’s efforts to sell electoral change to the public was the fact that
they could not agree on an alternative system to endorse. Although many of those
who dislike MMP—particularly older voters—wished for a return to First Past the
Post, there also was a belief that Supplementary Member would be more likely to
defeat MMP in a straight run-off at the 2014 election.13 Consequently, the Vote for

11 The governing National Party increased its share of the Party Vote from 44.9% at the 2008 election
to 47.3% at 2011.
13 This lack of consensus on the best alternative to MMP was reflected in the results of the second part
of the 2011 referendum, wherein 31.2% chose First Past the Post, 8.3% chose Preferential Vote, 11.2%
Change message simply was that; vote to change away from MMP, with any other system being better. The failure to specify a preferred alternative to MMP then led to a rather lopsided public debate, where MMP was compared to a vague “something else”.

Finally, the decision to require a mandatory review of MMP should voters chose to retain it at the referendum handed MMP’s supporters a distinct advantage. The Electoral Commission was to conduct this review to determine through a public consultative process whether changes to MMP are necessary or desirable, before making any recommendations for change to the Minister of Justice. MMP’s proponents could thus answer specific complaints about its current operation with a reassurance that the Commission would look at and fix it before the next election. Of course, there was no guarantee that the Electoral Commission would recommend any given change to the rules governing MMP, nor was it a given that any recommended changes will be enacted into law. But the very existence of a review process was a significant weapon in the debate with critics of MMP.

The review of MMP

The majority vote to retain MMP triggered the Electoral Commission’s review role. The Commission consists of its Chair (a retired High Court judge), its Deputy Chair (a businesswoman) and its Chief Executive (a career public servant with long experience in electoral regulation issues). To aid the Commission with its review, it appointed as expert advisers two academics with a political science background: Dr Therese Arseneau and Professor Nigel Roberts. These two individuals helped to prepare the public consultation material for the MMP review, as well as advised the Commission during its deliberations.

The Electoral Referendum Act 2010 specified a number of features of MMP that the Commission had to consider in its review.

- The thresholds for the allocation of list seats,
- Whether list members should be able to contest by-elections,

chose Single Transferrable Vote, 16.1% chose Supplementary Member, and 33.1% cast an informal ballot.

14 Electoral Referendum Act 2010 (NZ), s.74.
15 Electoral Referendum Act 2010 (NZ), s.75(1).
16 Electoral Referendum Act 2010 (NZ), s.76.
• The rules allowing candidates to both contest an electorate and be on a party list,
• The rules for ordering candidates on party lists,
• The effect of a party winning more electorate seats than its party vote share entitles it to,
• The effects of the ratio of electorate seats to list seats on proportionality in certain circumstances, and
• Any other matters referred to the Commission by the Minister of Justice or Parliament.

The Commission commenced the public portion of the MMP review in February 2013, with the release of a “Consultation Paper” outlining the various issues it was tasked with considering, and calling for public submissions on these. Submitters wishing to be heard by the Commission (in public hearings) had to respond by the beginning of April – with the hearings then being held in late-April through mid-May – whilst all other submissions were due by the end of May. The Commission then considered these submissions through June and July, before issuing a “Proposal Paper” of preliminary recommendations in early September. There was then another opportunity for the public to make written submissions on this Proposal Paper, before the Commission presented its Final Report to the Minister of Justice at the end of October.

The public response to the Commission’s review was quite strong. More than 4,600 submissions from 5,800 people and organisations were received during the first stage of the review, responding to the initial Consultation Paper. Over 1,000 more were received following the release of the Commission’s initial Proposals Paper. The submissions ranged from comprehensive and detailed responses to all the issues the Commission was required to consider, through to quite brief comments on one or two of those matters. In order to make participation as easy as possible, the Commission established a stand-alone website (http://www.mmpreview.org.nz), through which people could both make short “five minute submissions” and also read a constantly updated sample of views of others contributing to the process.
Following this consultation and deliberation on the issues involved, the Commission’s Final Report contained the following recommendations,\textsuperscript{17}

- The one-electorate seat threshold for the allocation of list seats should be abolished.

- The party vote threshold should be lowered from 5% to 4%.

- There should be a statutory requirement for the Electoral Commission to review the operation of the 4% party vote threshold and report to the Minister of Justice for presentation to Parliament after three general elections.

- If the one-electorate seat threshold is abolished, the provision for overhang seats should be abolished.

- Consideration should be given to fixing the ratio of electorate seats to list seats at 60:40 to help maintain the diversity of representation and proportionality in Parliament obtained through the list seats.

- Political parties should continue to have responsibility for the selection and ranking of candidates on their party lists.

- Political parties should be required to give a public assurance by statutory declaration that they have complied with their rules in selecting and ranking their list candidates.

- In any dispute relating to the selection of candidates for election as members of Parliament, the version of the party’s rules that should be applied is that supplied to the Commission under section 71B as at the time the dispute arose.

- Candidates should continue to be able to stand both for an electorate seat and be on a party list at a general election.

- List MPs should continue to be able to contest by-elections.

The commission’s overall advice was quite conservative in nature; the bulk of its recommendations were either to retain the status quo, or to make only minor

adjustments to the existing rules. This reflected both the weight of public submissions, as well as the Commission’s own assessment that implementing new rules would in many cases add unnecessary complexity and risk creating unintended consequences that are worse than the “problem” being addressed. However, its recommendations relating to changing the “representation threshold” and consequent abolition of “overhang” seats proved somewhat controversial, as this had the greatest potential impact on the electoral fortunes of the various political parties.

**Why change the representational thresholds?**

As noted previously, parties gain list MPs to ensure their total number of parliamentary seats reflects their share of the party vote though one of two means: either by winning more than 5 percent of the party vote; or an electorate seat. Both thresholds have been criticised. The 5 percent of the party vote threshold has proven very difficult for parties to surmount on a sustained basis. In the 6 elections held since MMP’s introduction, only 7 parties have attained this level of support. Only 2 parties have managed to do so at all 6 elections.\(^{18}\) The limited number of parties entering (and subsequently reentering) Parliament by this route then raises the question as to whether 5 percent is too demanding a requirement, especially for newly emerging political movements.\(^{19}\) However, lowering the party vote threshold risks further splintering representation in Parliament amongst a greater number of parties, potentially complicating the formation and functioning of government.

Because small parties have found it difficult to build and maintain sufficient support to cross the party vote threshold, the alternative electorate seat route has become important to ensuring their survival. Smaller party leaders have on occasion sought and won election in individual electoral districts, thereby allowing party list MPs to enter Parliament on their coattails. This outcome is enabled by voters in individual electoral districts voting tactically—casting their electorate vote for the smaller party leader even while voting for another party with their party vote. Larger parties also have helped their smaller party allies by either not standing candidates in the district, or signaling (either expressly or tacitly) that their supporters should cast their

\(^{18}\) The Green Party first ran as an independent party at the 1999 election. Since then, it too has remained above the 5% threshold.

electorate vote for the smaller party leader. While such “electorate lifeboats” have resulted in an increased number of small parties gaining representation, it gives the voters in individual electoral districts a disproportionate influence over the final shape of Parliament. Furthermore, the incentive it creates for parties to strike pre-election deals has attracted a degree of public ire; the perceived “gaming” of the system in this way brings MMP into some disrepute.

The Commission accepted these criticisms of the “electorate lifeboat” rule, and made the following recommendations as to the representation threshold (and the allied issue of parliamentary overhangs):

The one electorate seat threshold should go. An exception to the party vote threshold, it is not a necessary feature of the MMP system. Whilst it does increase the proportionality of Parliament, it does so in an arbitrary and inconsistent way that would be better achieved by lowering the party vote threshold. Its effect has been to undermine the principles of fairness and equity and the primacy of the party vote in determining the overall composition of Parliament that underpin MMP.

It gives voters in some electorates significantly more influence over the make-up of Parliament than voters in other electorates. It causes excessive focus to be placed on a few electorates and distorts election campaigning.

Abolishing the one electorate seat threshold would increase the chances of significant numbers of overhang seats being generated by parties that win electorate seats but do not cross the party vote threshold. Therefore, if the one electorate seat threshold is abolished, we also recommend the provision for overhang seats be abolished.

Parties that win electorate seats would keep those seats. However, the size of Parliament would remain at 120 seats because no extra list seats would be allocated. This would have minimal impact on the proportionality of Parliament.

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20 Since 1996, four parties have gained parliamentary representation through this route.
21 For example, in 2008 the New Zealand First Party gained 4.07 percent of the party vote, but no seats in Parliament. In comparison, the ACT Party gained 3.65 percent of the party vote, and because its leader won the seat of Epsom, 5 seats in Parliament. Hence, the voters of a single electoral district (Epsom) effectively were able to put 5 MPs into Parliament.
We have carefully considered the impact our recommendations would have on government formation and stability.

Parliamentarians to date have shown the capacity to form stable minority or majority governments under MMP. Having examined past MMP election results and other evidence, we are confident this would continue to be the case. A single 4% party vote threshold would strike the right balance, enhance the legitimacy of the MMP voting system and New Zealand’s democracy, and maintain effective Parliaments and stable governments.\(^{22}\)

The Commission’s advice on reducing the party vote threshold to 4 per cent attracted some criticism from those who believed it would still be too high to allow small and new parties to enter the parliamentary arena. However, the Commission’s reasoning for this was a mix of caution about the legitimacy of its role and desire to avoid changes to the voting system that might accidentally bring about worse consequences.

First, the Commission concluded that it could not, in its role as reviewer of MMP, make recommendations that effectively would create a different voting system to that endorsed by the public at the 2011 referendum: “[our] mandate is to make recommendations to improve the current system of MMP endorsed at the 2011 referendum; not to propose changes that would be inconsistent with the fundamentals of the system, nor to consider wider electoral issues.”\(^{23}\) As such, the Commission believed it could not recommend a threshold below 3 per cent of the party vote:

In our view, anything below a party vote threshold of 3% would amount to too great a departure from the balanced approach recommended by the Royal Commission and affirmed by New Zealanders in referendums. It would also run counter to public opinion expressed through polling and the extensive surveys of the NZES. A radical change in threshold would in effect constitute a new voting system.\(^{24}\)

That being so, the Commission then had to decide whether to recommend any reduction in the party vote threshold at all, and if so, to what level. While recognizing

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the disputed nature of this issue, it noted that a narrow majority of submitters had favoured some reduction in the party threshold. Given that fact, the Commission’s view was; “that the current party vote threshold of 5% is higher than it needs to be to strike the desired balance [between stability of government and proportionality of representation]. It could be lowered to 4% without risk to parliamentary effectiveness or government stability.” Therefore, the 4 per cent figure was a compromise one – albeit a compromise based on some evidence and reasoned analysis.

The reception, and quiet demise, of the Commission’s Report

The Commission’s Report only contained advice to the Government. What should then be done with that advice was then initially a question for the Government to decide, with it ultimately being up to Parliament to enact any changes to the Electoral Act 1993. The Commission had given some thought to how its recommendations might be actioned:

We have considered the process for implementing our recommendations, should they be accepted. Since 1956, where significant change to a defining characteristic of the electoral system has been proposed, a referendum has usually been held. For example, the term of Parliament has been the subject of referendums in 1967 and 1990, and the type of voting system in 1992, 1993 and 2011.

However, important changes to aspects of the operation of our voting system (such as, in 1965, the basis for determining the number of electorate seats, or, in 1995, the form of the ballot paper) have been enacted by a broad consensus of Parliament.

While our recommendations are important and some require legislation, they do not fundamentally alter the nature of the voting system. For this reason we believe a referendum would not be required to implement them.

The review timetable, with the Commission being required to report by the end of October 2012, is designed to enable Parliament to enact our

recommendations in time for the 2014 general election. If Parliament agrees with our recommendations this should be achievable.\textsuperscript{27}

This advice was, however, conditional upon politicians from the political parties that would be affected by the advised changes agreeing to make the recommended amendments. There were then a number of rather large obstacles in the way of this happening.

First, the Commission’s call to abolish the “electorate lifeboat” feature of MMP threatened the very existence of two of the governing National Party’s support partners. Both the ACT and United Future Parties only had representation in the House because the voters of the Epsom and Ohariu districts had voted their leaders into office. And a large part of the reason these voters had elected them was the potential for them to bring in additional MPs on their coat tails, thereby providing more bang for their electorate vote. Should MMP be changed so as to remove this promise, it not only radically reduced the chances of the ACT and United Future Parties gaining additional MPs in the House in the future, but it reduced the incentives for voters to re-elect the leaders themselves.

In addition, the governing National Party had made a submission to the Electoral Commission following the release of its Proposal Paper in September of 2012, strongly opposing the Commission’s recommendations. National’s opposition was based on the alleged difficulties that previous governments would have had in forming a stable majority had the Commission’s proposed electoral rules been in place at previous elections – and, in particular, the difficulties that National would have faced in forming a government after any of the six MMP elections. As the Commission reproduced these initial proposals in its Final Report, the fact that the governing National Party was on the record as not supporting them did not bode well for their acceptance.

A further impediment to the Commission’s Report being actioned was that the Minister of Justice who had established the MMP review process had retired from Parliament at the 2011 election. His replacement had then made it clear that she did not necessarily feel constrained by any decisions her predecessor had made; in several

policy areas she had reversed course and adopted a new approach. As such, the new Minister did not feel any particular sense of responsibility for the Commission’s Report; indeed, she may well have felt some irritation at having to deal with a matter she did not think worth spending time on.

Finally, the context into which the Commission’s report emerged did not create any real incentives for the Government to act. Public disquiet with the MMP system is more of a background grump, rather than a burning matter of immediate concern. Certainly, there is nothing like the widespread and deeply felt disenchantment with the electoral system’s functioning that forced the politicians to act against their perceived interests by putting the matter to a referendum back in 1992. Therefore, the Government risked little in the way of political damage if it failed to follow the Commission’s recommended course of action.

The upshot of these factors was that the Commission’s recommendations probably were dead on arrival with the Minister. There certainly was no real urgency demonstrated in acting upon them. While the Commission’s report was delivered in late October 2012, it was not until February of 2013 that the Minister even wrote to other political parties asking for their views on the Commission’s advice. Upon receiving a range of responses from outright rejection of the Commission’s Report in its entirety, through ambivalence on some issues, to complete acceptance of all its recommendations, the Minister then announced in May that the lack of consensus meant no changes would be made. Upon being criticised by opposition parties (which supported the Commission’s changes) for failing to try and broker some cross-party agreement, she responded:

If these parties want changes, they should come and talk to each other. It’s not my role, for goodness sake. I’ve asked them what they would like and they were utterly free to go and discuss things with other party leaders. But I’m not in charge of these other parties.  

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The Prime Minister then echoed his Minister’s position, stating that as far as he was concerned, that was the end of the MMP review matter. And so it was.

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