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Committee Secretary
Joint Standing Committee on Electoral Matters
Parliament House
Canberra ACT 2600

Dear Secretary

Inquiry into Political Donations

Thank you for the opportunity to make a submission to this inquiry.

It is widely accepted among experts and others that Australia's system of political finance law is broken, and open to exploitation and undue influence. This can give rise to a form of 'soft corruption' in which money may be given in return for access and the potential to bring about undue influence on decision-making and policy development. Such a system is clearly not in the interests of the Australian community.

The many problems with the current system have given rise to a large number of reports and recommendations. My view is that it is time now to act by way of bringing about holistic reform to federal campaign finance law.

Recent High Court decisions establish clear parameters for any such reform. In particular, the decision in *Unions NSW v New South Wales* suggests that any attempt to limit donations to individuals on the electoral roll has an unacceptable risk of being struck down. On the other hand, the more recent decision in *McCloy* establishes that caps may be imposed generally upon donations, and that categories of donors may be banned where they give rise to an unacceptable risk to the political process.

Taking into account the legal constraints, I believe that federal law should be altered to bring about a system of campaign finance based upon the following features:

- all donations to candidates, political parties and third parties in respect of their political capped at say \$5,000;
- real-time disclosure of all donations over \$500, with the possibility of such donations being made to the eventual recipient via the Australian Electoral Commission or other body;
- in all cases, the source of the donation must be identified;

- donations made from a source that is exclusively foreign to be banned (that is, the ban should only extend to those persons without Australian citizenship, or entities not registered in Australia);
- caps placed upon expenditure by candidates, political parties and third parties in respect of their electioneering activities;
- a modest increase in public funding to political parties, subject to those parties meeting minimum standards of accountability, including by way of incorporation and internal standards as to member participation and independent dispute resolution; and
- strict sanctions for the breach of campaign finance rules, combined with the necessary resources for enforcement.

Yours sincerely

George Williams AO