

cc. of this letter 10-4-08 to:-
 Prime Minister Hon. Kevin Rudd
 Deputy Prime Minister Hon. Julia Gillard
 Leader of the opposition Hon. Dr Brendon Nelson
 Shadow Treasurer Hon. Malcolm Turnbull

Joint Standing Committee on Electoral Matters	
Submission No.	29
Date Received	
Secretary	

Greg Secomb

The Inquiry into the 2007 election and other matters
 Joint standing committee on electoral matters
 Parliament House
 PO Box 6021

23 April 2008

Dear Secretary and inquiry members

I write to share an idea I have for cleaning up electoral funding rorts to political parties from pressure groups and individuals that seek to exchange political donations for favours and access to government. I am calling it "Eureka" Anonymous Political Donation Scheme. **(EAPDS for short)** Details are on pgs. 1-5. An earlier precis version pg. 10 item 4/. is a copy of what I sent to Hon Kevin Rudd in August 2007.

What I hope to achieve in starting this campaign for funding reform is to demonstrate a solution exists around this persistent and pervasive problem. I would welcome your feedback on such a plan and the appropriateness and capacity of the Australian Electoral Commission (AEC) to be the administrators of EAPDS and the conduit for anonymous political donations.

This is a different kind of anonymous to the one that is rightly out of favour today.

This is not the anonymous where the party or candidate (referred to hereafter as the recipient) knows who donated and how much but no-one else knows. The anonymous I am suggesting is where the donor and the amount of the money donated is unknown to everyone including and especially the recipient.

Only the neutral third party EAPDS will know and must not and cannot disclose. It is virtually impossible for an AEC staff member to obtain the information using the system I have devised and reserve copyright in.

The donor knows but has no physical proof. Any political donor, be they a person, company or lobby group, may try to claim they have donated but cannot prove it, even those who have not donated can claim to have donated to a party and no-one can dis-prove it under EAPDS.

This uncertainty alone may eliminate large donations in exchange for political favours, buying access to Government ministers, eligibility for Government tenders, special treatment etc.

Anonymous donations place everyone above suspicion, both donors and recipients.

It even encourages donation from those who prefer to remain anonymous.

The capacity to lobby for political donations would remain. It is not knowing the result of that lobbying that provides the key to breaking down “donated cash for political favours.”

Going one step further and changing the law to make it an offense to enquire about or attempt to reveal political donations would stamp out this scourge of government and democracy almost entirely. Attempting to reveal genuine donation to parties/candidates or for parties/candidates to enquire about political donation status from suspected donors must be an offense.

Recipients need to refer all donors to EAPDS and stop any further discussion from taking place on amount and donors identity. Publicized (and undercover) “stings” to smoke out unscrupulous recipients and donors should be the last nail in the coffin of cash for political favours.

Punishment for which may include ineligibility to donate in the future (donor of unsuitable character), suspension from party and/or Parliament and/or election for candidates and suspension of recipient from “Eureka” Anonymous Political Donation Scheme (EAPDS).

The EAPDS would be the only legitimate means of political donations. The EAPDS would have full audit powers to ensure all books balanced and no cash had bypassed the system. This would make suspension from EAPDS a very serious threat to any transgressors.

All cases of alleged disclosure (including frivolous non-donors claiming to have donated to implicate an innocent recipient) can be readily assessed through ID check or using transaction registration number on EAPDS computer. If registration no, ID no, date, amount and recipient number all match then the case is genuine. If some details match further investigation is required.

No cash, no cheques or postal orders. All donations are to be electronic fund transfers

to give complete chain of evidence of source of funds in event of audit. No cash donations will clean up proceeds of crime, undeclared business income and money of questionable origin influencing politics. No other forms of direct donation will be allowed including real property, stocks and estates. These must be realized to donate through EAPDS as electronic donations. Small cash donations, raffles and other fund raising activities (eg. inflated plate price dinners)

need to be resolved for a complete solution to accountability in political fund raising. Party membership fee's must also be controlled to prevent "pseudo donation" by inflated "gold" or "platinum" subscription.

EAPDS gives options to reward good candidates within a party even if the wider party is not supported by the donor. EAPDS gives all recipients access to a nation-wide network for collecting political donations overcoming some of the logistical difficulties small parties and independent candidates face in mounting challenges to the existing dominant duopoly.

It will remove the stigma that small party and independent candidates are more prone than major parties to stand over tactics from financial backers. These candidates already face an uphill battle. EAPDS will help level the political fund raising playing field allowing better democracy for all Australians. A group of independents could form and be supported by donors as a group. The total pool divided between candidates on federal, state (or regional) or local level prior to election as the case may be.

"Eureka" Anonymous Political Donation Scheme has two levels of security but may only need one:-

Level 1

Lower value/low number donations up to \$100,000 total per annum or up to 52 times/annum max. \$100,000 pa. Donor pays direct to EAPDS for holding in the sub-account of the recipients of the donor's choice. EAPDS will issue a reference number that may be used for future audit purposes and donors records. Reference number will not be revealed to recipients.

The name of donor, recipient (party or candidate) does not appear on any EAPDS paperwork issued to donor. Reference number and date is all the donor requires. EAPDS can recall transaction anytime required using reference number. If donor needs to disclose reference number to other Govt. agencies eg. tax office, courts etc. the EAPDS can take action in each case to recall details.

Level 2: If EAPDS needs to be even more secure.

High value donations over \$100,000 must be paid to EAPDS through a solicitors trust account for transfer to recipient of the donor's choice. Donor must first get a reference number from EAPDS to allow electronic transfer from solicitors trust account to EAPDS recipient sub-account (embedded in the reference number). The donation is then transferred in random bulk amounts over a period of time to the recipient previously nominated by the donor.

Solicitor must not know final destination of funds so can't disclose. If donor tells or tries to tell the Solicitor of the recipient of funds the Solicitor must not conduct the transaction, preventing donation. Donor must ensure amount transferred to EAPDS matches reference number or

donation will be rejected. Donor has no written record of recipient, only reference number with date. Amount paid into a solicitors trust account by donor could be for anything, breaking the chain of proof of political donation completely.

A typical donation would be computer screen based.

Step 1. Donor first proves identity to AEC (who may run EAPDS). AEC staff issue ID number. Identity, name and ID number must be confirmed at every transaction. Donor then enters ID number to continue on a self serve screen/ terminal.

Step 2. The donor must select a code number from menu screen of parties and candidates. Code numbers on screen list are in an encrypted field. Click selection on encrypted field again to confirm recipient.

Step 3. A donation form which then opens up has the selected recipient code already entered in the recipient encrypted field. The donor then enters in the donation amount onto the next encrypted field on the donation form and types into duplicate encrypted field to confirm amount.

Step 4. To complete the transaction donor swipes card and enters account, pin number and amount as per normal eft-pos banking transfer.

Step 5. EAPDS print out shows transaction reference number for any future queries to EAPDS and date but not amount, recipient code or donor name.

General information.

Bank printout/ eftpos print out / credit card printout shows date and amount transferred but does not reveal EAPDS or AEC as recipient. (Account number only, one of many for EAPDS.)

Regular donors can set up direct debit arrangements through EAPDS/AEC and their bank.

ID number is needed for counter, on-line, phone donors and for audit search by ID number.

If phone/ web based donation is allowed max. 52 times pa. and total max. \$5000.

Desk and phone staff do not need to see donation amounts or recipient codes.

All the details come together off the desk/ phone operators screen (they also have encrypted fields except ID number). Information is collated in secure area and details are logged on the system for high level access only if required as evidence or for audit purposes. All information kept secure with three different access passwords to view amounts, donors and recipients information. All information can only come together in the presence of a high level audit team. EAPDS computer system must be 100% secure with record storage access to top level security clearance and by multiple persons only. ID number searches only authorized in cases of suspicious or criminal conduct. Desk and phone staff would need low security clearance.

Recipients can have sub-accounts audited by AEC to ensure full transfer of all donations. Limited detailed information on amounts and dates with no information on donors released.

Bulk transfer of donations to recipient

Total amounts from recipients EAPDS sub-accounts streamed into recipients electoral accounts at recipients request. Ie. Weekly/ monthly, when amount reaches a minimum or set amount etc. Funds held in EAPDS sub-accounts invested on secure deposit with interest distributed pro-rata. Staff with lower security clearance can perform bulk transfer work from recipient sub-account to nominated electoral expense account.

Donor rules must be strictly enforced. Warning signs, phone messages and computer screens to advise donors of conditions of use, the main condition being:-

If any donor reveals recipient of donation or even hints at exact amount of donation the operator/ counter staff must not log donor onto system (or issue reference number level 2), preventing donation and avoiding “a mole” in EAPDS from thwarting the system. Phone recording and CCTV surveillance footage reviewed live at random “for quality and coaching purposes” and to ensure compliance with rules by donors and AEC staff. CCTV/ phone records archived securely for recall by date and time. Long term phone/ CCTV record storage and recall for suspicious cases involving level 2 donors and high value/ frequency level 1 donors. Audit can uncover inconsistent donation levels compared to bank activity and tax declared income in conjunction with other agencies eg Federal police, tax office to prevent proceeds of crime or “stooge” donors.

Automatic phone equipment.

Computer software may be able to manage the issuing of reference numbers once ID number has been issued. The recipient is then selected from voice list and code number entered. Press buttons on phone key-pad to complete like normal phone banking transaction.

Unions must submit donations through EAPDS of “opt-in” member donations.

Some unionist may “opt-in” to different parties or candidates. The union is obliged to process all requests faithfully and is subject to EAPDS audit. Individual unionist selects recipient off EAPDS computer code screen and reference number records encrypted ID number, recipient code and amount selected for union to process weekly etc. as the case may be. Selection screen includes an option for “ none of the above” for those who do not wish to donate but wish to keep their decision private.

The above is a recipe that I think would work to clean up the political donations mess.

I believe the AEC is the correct body to administer “Eureka” Anonymous Political Donation Scheme. They have independence, credibility and access to all current candidate and party details making them the obvious choice. **Perhaps you could suggest who is better suited and willing to take this reform on if not the AEC?** With an established national network of AEC offices and computers they are probably the lowest cost alternative to administer this “Eureka”

anonymous donation scheme initially at the taxpayers cost, then by a pro-rata levy on donations with a number of transactions based adjustment formulae. Cost to write soft-ware, hire and train extra staff and implement EAPDS are an investment in more transparent government that can return accountability and integrity to the political party system, a priceless commodity in short supply.

Early feedback on “Eureka” Anonymous Political Donation Scheme could also be incorporated in my book. Your early reply would be much appreciated as my book is waiting to be published. Thank you for your attention and interest in these matters.

Yours sincerely

Greg Secomb