

**REPORT OF PROCEEDINGS BEFORE**

**SELECT COMMITTEE ON ELECTORAL AND  
POLITICAL PARTY FUNDING**

**INQUIRY INTO ELECTORAL AND  
POLITICAL PARTY FUNDING**

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**At Sydney on Friday, 4 April 2008**

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**PUBLIC FORUM**

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**PRESENT**

The Rev. the Hon. F. Nile (Chair)

The Hon. R. Brown  
The Hon. A. Fazio  
The Hon. J. Gardiner  
The Hon. D. Harwin  
The Hon. M. Veitch

**CHAIR:** On behalf of the Select Committee on Electoral and Political Party Funding I am delighted to welcome you all to New South Wales Parliament House and to tonight's public forum. It is fantastic to see members of the public coming into Parliament and speaking their minds about the issues that are important to them. That is what today is all about, having your say before a Parliamentary committee about changes to the New South Wales electoral funding process.

This Committee was set up in June 2007 to inquire into electoral and political party funding for State and local government in New South Wales. The inquiry is timely. Since our Committee was established, the Premier has committed himself to reforming the New South Wales electoral funding scheme and the Prime Minister has now also given a similar commitment for the Commonwealth.

Our Committee has six members from the upper House of the New South Wales Parliament who represent a range of political parties and perspectives. Perhaps they could introduce themselves to you by their name and their party.

**The Hon. MICHAEL VEITCH:** Mick Veitch, Australian Labor Party.

**The Hon. AMANDA FAZIO:** Amanda Fazio from the Australian Labor Party.

**CHAIR:** I am the Reverend Fred Nile from the Christian Democratic Party.

**The Hon. DON HARWIN:** I am Don Harwin and I am from the Liberal Party.

**The Hon. JENNY GARDINER:** I am Jenny Gardiner and I am from the National Party.

**The Hon. ROBERT BROWN:** And I am Robert Brown and I am from the Shooters Party.

**CHAIR:** This inquiry was established to scrutinise the impact of donations on the democratic process. We are examining the possible effect of banning donations from corporations, developers, unions and individuals. We are also looking at how to best regulate campaign finance to ensure that the electoral funding process is open, fair and accountable. At the end of our inquiry we will make a report to Parliament that sets out our findings and makes recommendations for government action. The Government must respond within six months on what action they will take on each of our recommendations.

This forum is a very important part of our inquiry. Our Committee has received over 180 submissions and is holding five hearings, which usually take a full day, to hear from witnesses with a diverse range of views. Clearly there is a high level of community concern about the electoral funding and disclosure regime. Today is about hearing directly from community members about this important issue. What you say today will go on the public record and we will consider your views as we prepare our report.

In terms of audience comment, I stress that although this is a public forum, it does not allow for comments from the floor. We warmly welcome audience members to today's proceedings but no-one is allowed to disrupt the proceedings. I wish to remind all speakers of the gravity of today's proceedings. Although the Committee will not be asking you to take an oath or affirmation to tell the truth, we expect that you will speak truthfully and I remind you of the responsibilities that accompany the opportunity to speak on the public record.

With this in mind, I remind speakers that the forum is not intended to provide an opportunity to make adverse reflections about specific individuals or organisations. Speakers are asked to avoid making critical comments about specific individuals and organisations and speak instead about general issues of concern. In addition, parliamentary privilege does not apply to what speakers may say outside of the forum. It applies to what happens here. Therefore, witnesses should be cautious about any comments to the media and others after they finish addressing the Committee, even if it is within the confines of the Parliament House building.

Each speaker will have five minutes to address the Committee. In order to ensure that everyone has a fair opportunity, the time limit will be strictly enforced. A bell will sound at four minutes and again at five minutes, after which speakers will be asked to stop. Prior to today's forum speakers were advised that they should bring a copy of their statement, so that if they run out of time we can arrange for it to be inserted in the Hansard transcript of the proceedings tonight. I will invite each speaker to come to the lectern when it is their turn to speak.

Committee members would normally have the opportunity to ask questions of participants. I would ask my colleagues to refrain from asking questions so that each speaker is free to make his or her statement.

The Hansard transcript of today's proceedings will be made publicly available and it will be posted on the Committee's web site.

I would remind everyone to please turn off their mobile phones.

Finally, the Committee Secretariat can assist with any questions about today's forum or inquiry process, and we would in fact still be happy to receive late submissions to our Committee.

**Mr Tony RECSEI:** Thank you, Mr Chairman, and thank you for your invitation to make submissions to this inquiry, which is very much appreciated.

I would like to illustrate how political donations appear to influence government policy and impact on the democratic process. Seven years ago the public was unaware of the question of political donations by developers. In 2001 I appeared on the ABC TV Stateline program in which I criticised the policy of urban consolidation, with the then Planning Minister, Dr Refshauge, defending it. I produced evidence that the policy is detrimental to the public interest and to the environment. This was completely contrary to the department's claims. For example, the policy causes increased traffic congestion and increased greenhouse gas emissions per person. Also, while urban consolidation may delay immediate spending on infrastructure, the ultimate cost is higher as outdated, overloaded infrastructure has to be upgraded in a piecemeal manner. The department was unable to counter such criticisms and it became clear that the government policy cannot be justified as being of benefit to the public or to the environment.

Why then do we have this policy? The TV presenter, Quentin Dempster, said, "But Tony Recsei smells a rat", and featured me bringing up the developer donation issue. From the Election Funding Authority records that he showed it was seen that developer donations were a major component. It thus appeared that the only rational explanation for the policy was political donations. The reasoning is that with government cooperation developers can make huge profits from multi-unit development. This was due to the State Government placing a restrictive growth ring around Sydney. With an ever-increasing population, the resulting shortage of land drove up property prices and allowed excessive amounts to be charged for the units that were sold.

The Department of Planning worked closely with developers in assessing strategies that impose higher densities onto communities in council areas. People do not want this. Such intimate contact with developers did not set a good example for municipalities and we now see the consequences, such as in Wollongong. The ensuing developer profits allowed further large political donations to be made. This resulted in a cycle of profits, donations, better access to government and more profits. Meanwhile, a social tragedy has arisen with housing becoming unaffordable for many families. That ABC TV program caused a stir and the next week Paul Keating and others took up the topic.

It is gratifying, Mr Chairman, that pressure has now reached the point where your Select Committee was established to inquire into the donations question. I have made suggestions to remedy the situation in my written submission under the headings of "Restrictions on Donations From the Private Sector", "Increases in Funding From the Public Sector", "Limitations on Electoral Spending" and "Timeless Financial Public Disclosure". Political parties should be obligated to timelessly place on the web site running details of electoral income and expenditure in a form of continuous disclosure.

In addition, I ask that a program be implemented to train voters to expect good government and to gain good government. An electoral system should aim at voters voting according to party and/or candidate performance, rather than according to pre-election promotions. To this end, some sort of system should be set up to monitor promises and advertisements and publicly compare what actually has been accomplished. Then a reduced necessity for pre-election advertising should reduce reliance on electoral expenditure by parties.

I would like to conclude by wishing this inquiry every success in the task before it.

**Mr Shane LEONG:** Hi, my name is Shane Leong. I am a PhD student whose previous honours thesis was on the topic of political donations. I am honoured to be here. Thank you.

I think that we are all aware of the problems surrounding political donations. We would not tolerate it if judges were permitted to receive donations from defendants or if referees were permitted to receive donations from sports people, so we have similar problems when our government is permitted to receive donations from people who may have vested interests.

However, one thing that I have learnt from my studies is that inappropriate reform can simply make the situation worse. Former US Federal Election Commission chairman, Bradley A. Smith, once wrote that campaign finance reform had caused the American system to become so over-burdened with rules and regulations, that it was now impossible for anyone to go into politics unless they were able to retain their own campaign finance lawyer. My submission number 168 actually details some of the real-life situations that he encountered where the rules and regulations really hurt innocent people.

Some people have suggested imposing low donation limits on parties. However, it is usually the small parties who are actually most in need of large donations, because they have small membership bases. Most people do not actually realise that when the Canadian government lowered the donation from \$5000 to \$1000 this received heavy support from the major parties but most of the minor parties actually opposed it.

Premier Iemma is considering banning donations completely and having a full public funding system. I for one would be happy for our democracy to be funded by taxpayer money if it means that it is not funded by developer, union or corporate money. Obviously, provision would have to be made to ensure that those parties that were not able to get enough votes in the last election will still have adequate finance for the next election, because otherwise they would be locked out.

Therefore, I would recommend that with such a public funding system, you allow parties the choice of either opting in or opting out of donation abstinences. Those parties that opt in will receive say three times the level of public funding, whilst those that opt out of donation abstinences receive the current level of public funding but are allowed to get outside money. However, this system will fail unless all parties actually commit to obeying the spirit of the law. If the politicians take the public's money and then just seek to evade the rules, that is just going to prove that politicians cannot be trusted. So that is going to be of no help to anyone. Unless there is complete agreement or someone can suggest a system that is better than I can, I really would not go with the public funded system.

One solution that people may be suggesting is to use clean money, which is found in some American States. Clean money involves candidates qualifying for public funds if they are able to collect a specified number of small value cheques, like 200 cheques for \$20 from people in your district. Allowing people to qualify for public funds in this way would make the money available before an election, rather than after, when it is most needed. However, whilst people should have the option of receiving money in this way, they should not be required to get public money this way, because I think that many good people would find it very difficult to walk around their electorate and scrounge for 200 odd \$20 donations. Some people could do it, but others could not, and we really do not want a finance system that will exclude people like that.

One big problem with any public finance system is how do you stop donors simply channeling money into organisations which then engage in political advertising. Obviously we cannot ban all third party political advertising because that would ban publishing anything which praises or criticises a political party or its policy. If you create a web site advocating political donation reform, then you may be creating bad perceptions about the government, which in turn may influence the election, and you cannot ban that type of stuff. As far as I can tell we are just going to have to deal with that.

A full public funding system obviously would not be perfect. There will still be scandals; there will still be problems. However, I think that it would still actually be better than our current system because it would at least put that extra distance in between politicians and financial interests.

Of course, that would only work if all people agreed to it.

**Mr BARRY LAING:** Members of the Committee, ladies and gentlemen, I have just one key point about this issue - that political donations taint democratic process.

There is currently evidence of a lot of discontent across the State with the control of wealth associated with the decisions of Government Ministers. Ministers are elected representatives who have a constitutional duty to recognise State interests in their decisions. The State's interests are embodied in a complex framework of legislation and regulation, as well as the ongoing process of parliamentary democracy.

Government departments provide advice, but must in most cases advise within those regulated frameworks. The Minister has discretionary powers outside the normal framework but is open to legal challenges in most cases where this happens. So the extent to which a Minister is enabled by legislative change to make unchallenged decisions in an area of government control has a direct effect on the level of accountability by the Minister responsible for that area. When legislation enables more ministerial discretion, we rely more on the integrity of the Ministers to honour their constitutional duty. That reliance on integrity brings an imperative of transparency of ministerial action so that the extent of influence of various interests on a decision can be judged by the public. Less transparency means more suspicion but discretion is used to accede power or wealth to vested interests.

If many examples happen of Ministers apparently following vested interests when using their discretion we must be concerned. When governments pass legislation which enables more ministerial discretion we must be concerned for the long term interests of the State. Currently in New South Wales we see increasing examples of such enabling legislation. It is characterised currently as part of the Government's drive to cut red tape. In this context, political donations can too readily be interpreted as buying the discretion of decision-makers.

When donations and attempts to influence do not have to trigger an exceptional intervention by the Minister, because ministerial intervention has become the normal process, a Minister could allow influence to override other considerations just as a matter of course. There is no need to defend decisions or deny influence because the Minister is entitled to make a decision without transparency. Donations in this environment can always be characterised as bribes because it is impossible to prove that the Minister has not been influenced when his or her decision is complex and at the same time is all that is needed for the vested interests to get the decision they want.

So how could a politician benefit in such a situation? The question of corrupt influence depends on the nature of the relationship between the Minister or politician and the party which receives the donation. What benefits the party or party election campaign benefits the politician. The benefit may be in election of the politician to a paid position or in covering costs which otherwise would be borne by the politician. It is not necessary to show benefit to a politician from a particular case, like a bribe for a particular contact or a decision which benefits an interest group or corporation. It is only necessary simply to show that the politician who made the decision was elected by the use of donated funds from the group which benefited.

In this situation, either the legislation enabling greater ministerial discretion has to go and ministerial discretion is taken back to being the exception or else donations have to go. You cannot be half corrupt by saying that a donation only benefits you indirectly or by saying it benefits your party but not you. Donations benefit the politicians and prevent them from being able to claim that they are disinterested. No amount of transparency can overcome this basic fact. This is a change that is happening in New South Wales which is shifting the goal posts.

To quote the major law group Clayton Utz on the Part 3A amendments, for instance, to the Environmental Planning and Assessment Act 1979 which enabled greater unchallengeable ministerial discretion, it allows the Planning Minister to approve some projects which would be wholly prohibited under a planning instrument were it not for the Part 3A amendments. They go on to say:

The amendments enhance both the certainty and the flexibility available under Part 3A. Whether, and, if so, how they affect the level of environmental protection may now depend more on the Department and the Planning

Minister than before.

So it is a recognised situation that this is a change. It is now depending more on the Minister.

In this situation the long-term State interest is clearly more at risk. Enabling legislation increases the dependence on ministerial integrity. The possibility of donations influencing process increases also. It is about the relationship between the factors of long-term accountability to the State and short-term personal gain being focussed in the one person.

Canada solved this problem by banning corporate and other vested interest donations. New South Wales should follow suit. My written submission expanded my view on these restrictions that Canada should be our model.

Thank you.



**CHAIR:** Our next speaker is under the age of 18 and because of that it is important to protect the identity of a minor. So I direct the meeting not to reproduce his name or image. In the transcript of the proceedings the speaker will be referred to simply as Youth A.

**YOUTH A:** Once upon a time there was a man who lived in a quiet country town. Life was good until his neighbour erected a sign supporting Al Gore. In a classic case of keeping up with the Joneses our protagonist decided to erect an even bigger signing supporting George W. Bush. He bought a large sheet of plywood, hired a signwriter and lovingly stuck it on the back of a cotton truck. In doing so, he exposed himself to over \$25,000 worth of fines. How did this happen? He failed to post a sign stating who had paid for it and whether Bush had authorised it. He spent more than \$250 without filing a report to the FEC. He used a trailer with the name of a corporation on it, violating the prohibition on corporate contributions. If he had spent more than \$1000 he would have violated it more by failing to register as a political action committee, failing to appoint a treasurer, failing to disclose details of everyone who donated in excess of \$50 and failing to file regular detailed reports to the FEC.

The moral of this story is that personal donation limits, as advocated by some prominent politicians, are not the best way to prevent corruption. They are so complex as to prevent ordinary citizens standing up for what they believe in. Would you make a sign if you risked being fined \$25,000?

Personal donation limits are also problematic as they greatly hinder minor parties, which are crucial to the functioning of an efficient democracy. With smaller membership bases, they are unable to raise lots of money quickly. Say they get sued and they need money. One vice president compared \$1000 donations, which is a donation limit, to filling his swimming pool with a teaspoon. Finally, personal donation limits are hard to enforce. What stops the unscrupulous giving \$1000 to all their extended family, business employees and the hobo on the street to donate?

What we need to do, ladies and gentlemen, is to reduce the value of money to a politician. We need to set a small, therefore easily obtainable, spending limit for each politician, with excess funds either being donated to a charitable institution or the party itself. This spending cap would also include personal wealth. Suddenly, a lot of things fall into place. Free speech is not only protected but promoted and the big players cannot drown out the words and arguments of the minnows. Politicians do not need to accept dirty money. They know they can easily reach their own limit without staining their hands and their future election prospects. They also know that the dirty money they turn down will not go towards advantaging their opponents, as is the case right now.

Without advertisements being run every single ad break, people will feel like they can actually contribute to the success of a politician, they will feel like they can actually influence an election, leading to more grass roots campaigning and a more active democracy. With less money to fund raise, more time can be dedicated to advancing the electorate and meeting the constituents. All of these are very worthy outcomes.

Cutting political spending also has the advantage of being relatively easy to regulate and enforce compared to donation limits or substitution. Simply give each politician a credit card from which all transactions are to be made. It is far, far easier to monitor a few hundred candidates than to monitor every single citizen of New South Wales. Minor breaches would probably be punished with fines, because they could be accidental, and more major breaches would probably be punished with disbarment, and maybe even imprisonment if fraud was involved, and if the spending limit is properly set in line with inflation, then it could remain pretty much unchanged for years.

There remains one problem though with my idea - soft money or advertising campaigns run by an independent organisation to run a particular politician. However, are they really a problem? Do they represent the degradation of democracy? I would argue they are simply a by-product of a free and efficient society, one where people or corporations can promote issues that they feel to be of concern. Provided these advertisements are apolitical in nature and their contributors are available on the public record, they are part of a free society. Politicians are unable to address concerns of which they are unaware.

In conclusion, a spending limit would limit corruption by reducing the buying power of money. It would also encourage free speech. Yet spending limits would do far more than that. By empowering the people with the ability to change the outcome of an election, we may even restore people's faith in our democratic system.

**Mr RICHARD BRYCE:** Thank you, Mr Chair, and congratulations to Youth A on a tremendous speech.

Reform of political party and election funding is a necessity if public trust in the process of parliamentary democracy is to be restored in New South Wales. I will be arguing that the Electoral Funding Authority (the Authority) needs additional resources to equip it to defend the electoral process for the corrosive effect of chequebook democracy, that aspects of the Electoral Funding Act need to be amended to reflect the demands of a new and complex electoral environment, and, finally, that Parliament should implement a public awareness campaign to ensure that New South Wales maintains a strong, open and democratic system of government.

The current level of resourcing the Authority is inadequate and prevents the Authority from undertaking the essential work of protecting the State from electoral fraud and abuse. In its 2005-2006 annual report, the Commissioner stated the Authority is "operating in an increasingly complex and competitive electoral environment", in which, "organisations were attempting to work outside the scope of the Act". While the Commissioner did not elaborate on the identity of these organisations, nor the ways in which they were seeking to subvert the electoral process, it is clear the Authority faced challenges which required a strong and concerted response. The Authority must be given its own secretariat, beyond its current two full-time staff, who are equipped and resourced to meet these challenges.

The recent dismissals of both Wollongong City and Hastings Port Macquarie Councils are examples of what happens when individuals and organisations weaken our democratic process. These attacks on democratic institutions are a serious challenge to the welfare of the State. They corrupt public administration and they erode public trust in New South Wales parliamentary democracy. The Authority, or a new independent electoral commission, must be given the resources and the legislation necessary to identify those who seek to subvert the electoral process. Scandals like these which have engulfed two councils in 2008 and the implications that these have for the Government can no longer be tolerated in New South Wales. Those individuals or organisations who are currently able to exploit existing electoral or legislative loopholes to hide sources of campaign funding from public scrutiny, and thereby commit an act of electoral fraud on the electorate, must face prosecution and be brought to justice if we are to protect the future prosperity of the State, the financial, legal and social frameworks of which deserve all of our attention.

In addition, the Electoral Funding Act 1981 should be amended to reflect the demands of a new and complex electoral environment. Reforms should strengthen parliamentary democracy by ensuring that a greater diversity of candidates receives public support. Reforming this aspect of electoral funding would also help to ensure that all candidates work more democratically for their votes through reform that encourages community politics and policy development. Therefore, the Act should be reformed by repealing or amending the four per cent rule that at present prevents many candidates from minor groups from receiving public reimbursement for the costs incurred in standing for election. This rule should be removed or lowered to ensure the majority of candidates receive public support for standing in elections. Parliament should also introduce expenditure caps on election campaign funding, as Youth A was suggesting, to prevent chequebook democracy that has blighted political funding for decades.

For example, in my local government area, an undisclosed loan of \$80,000 effectively bought an election for a group to control council, and that group largely saw itself as then free from public scrutiny. The result was briefly successful but was ethically, if not legally, reprehensible. A cap on campaign expenditure would go some way to ensuring a more open and transparent electoral process that would ensure that candidates would have to publicly defend their policies rather than build the size of their donation cheque book. These two measures are ways in which Parliament can restore community participation in elections and ensure the restoration of public confidence in the value of the vote.

Finally, the Committee should recommend that Parliament commence a campaign to raise community awareness of the value, traditions and functions of the New South Wales Parliament and

the importance of defending democracy in the electoral process from electoral fraud and abuse. This media campaign should be inclusive of newly arrived migrants groups and ensure that schools, especially places of tertiary education, receive appropriate resources to develop greater awareness amongst young adults of the roles and functions of democratic institutions, and to encourage more community participation in parties' political activities.

In addition to this public awareness campaign, the Authority's political education fund should be reformed to ensure that funds support the education of party members through their branch structures. Currently, the Authority spends \$2 million dollars per annum supporting political education funding.

In conclusion, many thanks to the Committee for your time.

**Ms JENNY GARDINER:** Mr Chairman, I think it should be pointed out that the Port Macquarie council's dismissal was not about corruption or donations law. It had to do with other matters and that should be put on the record.

**Ms SANDY McCLIMONT:** I limit my remarks to local government funding. I will focus on the impact of political donations on the democratic process, on the benefits accruing to developers who make donations and on the efficacy of the Electoral Funding Authority (the EFA).

I argue that public funding should be introduced for local government elections. In the alternative, if public funding is rejected as an option, then there should be a cap set on the amount that can be donated. Donation details, including the value of in-kind assistance, should be published seven days prior to elections to enable the media to report on these donations. In addition, candidates should be banned from receiving donations for 12 months after the poll.

The EFA must be fully funded and adequately resourced. It should be given comprehensive powers to investigate complaints made about abuses of the system. It should report to Parliament after each election on its investigations.

The current situation is that there is no public funding for local government elections. Public funding, together with a ban on private funding, would ensure that all candidates are on an equal footing. It would give voters the opportunity to be more fully informed on what each candidate or group stands for. As things are, the public is only informed about the policies of those with access to political party or developer funding. It is only after the election that the public learns who received what and from whom.

The reform of the funding system is of particular importance in regional areas, such as the one in which I live. In a democratic system it is the role of the fourth estate to protect public interest. However, in rural and regional areas there is limited media scrutiny of relationships between local government candidates and real estate developer interests. This problem is due in large part to regional newspapers and the commercial electronic media relying heavily on real estate and developer advertising for revenue. Understandably, they are reluctant to do anything that may affect that revenue.

An example of the impact of political donations on the democratic process can best be illustrated by looking at what happened in my local area at the last election. Three groups combined forces and arranged to exchange preferences. Each was led by high profile individuals who were widely perceived to be either members or supporters of a political party with pro-development policies. They all supported the same mayoral candidate, a member of a political party. This person conceded at public meetings that he received developer donations but refused to disclose the source of those donations. Between them this team succeeded in electing enough candidates to form a majority in council. They spent more than \$80,000 on their election.

After the election it became known there was a shortfall of some \$43,000 in one of their funding declarations. It transpired that because this funding was not declared within the 120 day period provided for in the legislation, this amount could remain undeclared until the next election. Complaints were made to the EFA but the community was told that the system was legal. The excuse offered was, and I quote, "that the ex advertising agency had allowed a flexible account which was still being paid off".

In my view the ability of candidates or groups to have funding channeled to them through credit arrangements made by third parties, such as printers or advertising agencies, must be stopped. This cynical manipulation of the system which allows a debt to be written off or paid off by a third party must not be tolerated. It may be within the law, but not surely within the spirit of the law. Failure to make disclosure at an appropriate time leaves the current system wide open to corruption.

On the subject of corruption, I note the Premier is promoting a policy whereby developers are obliged to reveal their donations when lodging development applications. This is an excellent idea. However, what about the benefit that will accrue to developers, who, having made donations to councillors, are then appointed and continually re-appointed to key council subcommittees that advise council on planning areas, particularly in the CBDs. In this way they establish relationships with council staff and with councillors and can in fact effectively manipulate decisions as to what

development takes place where.

The failure of the EFA to deal with complaints made about the 2004 election referred to above illustrates the problems confronting it. Its role is very limited in scope because it has no--*[time expired.]*

*[Speech incorporated pursuant to leave]*

Its role is very limited in scope because it has no broad investigative powers under the current legislation. This is clearly a situation that requires rectification. What must be achieved is equity, transparency and accountability in the system.

**Mr JAMIE HARRISON:** Good afternoon, everybody. Thank you for hearing me today. My name is Jamie Harrison, an ex-councillor of the sacked Port Macquarie Hastings council.

A little bit of my history: I stood as an independent, self-funded candidate for the mayor and council election in 2004 and also stood as an independent, self-funded candidate for the 2007 Federal Government election. I stood because I believed I had something to give to my community and I wanted to experience the election process. In 2004 I spent \$9000 of my own money getting myself elected. I knew I would get this money back if I got a job as a councillor, which I did. I also in 2007 contested the Federal Government election in which I spent \$13,000 and managed to make the threshold and receive \$8000 back. I believe this was a reasonable personal cost for the experience and the value that I offered my community.

Let me say today I am extremely disappointed in the small amount of time that I have been given in front of this inquiry, in light of the fact that I have had to leave my business and my personal life and travel from Port Macquarie here. It disappoints me further that our previous ex-mayor today was given 45 minutes in front the Committee and that he only used 25 minutes of that time. I wish to make it quite clear that obviously he did not make a submission to this particular Committee. He had no involvement in the Hastings council's submission - the general manager and the general manager alone handled that submission - and in a workshop he made the comment that he would not be issuing anything to this hearing today.

I wish to focus today on my experience and understanding of local government. Sorry, I have got to go to rush. There is an awful lot to get through here. I wish to agree with Hasting council's submission in relation to the disclosure limits for campaign donors within its code of conduct, which is attached to its submission. It follows the generic guidelines of the Local Government Association.

I wish to say clearly candidates who have greater funds at their disposal are more successful in attaining office. I believe that there should be a cap placed on the amount of money spent on local government campaigns and greater scrutiny of disclosures. There should be funding provided on a per vote basis, similar to the Federal system that provides funding for genuine candidates based on a threshold percentage or half a minimum elected threshold percentage. What I mean by that is in local government elections there is a quota set for a local government candidate. In the example I will use 4,500 people may be the quota. There should be a dollar received from every vote received above half of that particular threshold. I am not about banning political donations. We just need to know where they come from, which political groups, which individuals or which businesses. However, I do believe when someone walks into a polling booth, in particular in local government, they want to know where each candidate's campaign funding has come from. This was highlighted recently in relation to Tweed Heads and Western Australia.

There should also be declarations of the cost of book advertisements, media and other campaign materials I believe made on the Wednesday prior to a Saturday election and prior to a media blackout. These declarations should be placed in the newspaper and the Electoral Funding Authority's home page and council's home page in order to gain maximum exposure by the voting public.

At the last State Government election in 2004 there were three groupings consisting of 15 candidates which stood together. These particular groups spent in excess of \$90,000. They were successful in getting five candidates elected, including the mayor. Attached to my submission are the declarations from Groups A, B and C from the Electoral Funding Authority. Group A to date spent \$28,000 and have fully accounted for their funding but have failed to declare where \$23,000 of that came from. Group B has similarly spent \$18,000 and has completely failed to declare where \$15,000 of that money came from, and Group C has spent \$47,000 and declared that \$43,000 was a personal loan.

It is my belief that what these groups have done here is avoided scrutiny, but I believe that it is the issue of the Electoral Funding Authority to enforce this. I believe they have failed. I believe they do not have adequate resources, in light of what the previous speaker had to say, and I think if anything comes out of this it should be that this Electoral Funding Authority be provided with more

funding and more powers to provide better scrutiny so that people, at least in my electorate, can walk into a polling booth and know who is paying for whose campaign.

Thank you very much.



**Ms JANET HARWOOD:** I will not have to rush through mine but I ask you to think not of human beings but of plants and animals for the next five minutes.

One aspect of political donations which has not touched the consciousness of most individuals and institutions is the enormous impact of political donations on biodiversity depletion. Donations are a significant contributor to dismantling the critical biological infrastructure which underpins our economy.

Speaking of regional habitat loss in his book, *On Borrowed Time*, Professor David Lindenmayer says:

In 1999 alone permits [were given in Queensland and New South Wales] to clear ... an equivalent of 15 average suburban blocks every minute, every minute of the year.

In urban areas where donations make their major impact massive development creates loss of corridor ecology and regenerative capacity. Habitat loss is the most systematic deconstruction of Australia's critical biological infrastructure that has ever occurred.

By glibly using the phrase "critical infrastructure" to take control of strategic sites of real estate, Planning Minister Sartor has assumed superiority over other arms of government. Current political hierarchy is dominated by the arm of government that contributes most to government coffers. Property development and corruption prone sectors, like hotels and gambling, currently reign supreme because of the money they bring to government.

The cut and thrust of this sector would hardly appreciate that the life support of air, water and soil comprises the true national critical biological infrastructure. Indeed, such a dangerous realisation could not be allowed to occur. It might assist the environmental arm of government to assume the true seniority it needs to possess in the political hierarchy.

We are in the middle of the planet's sixth mass extinction event. More critical than climate change and exacerbated by it, biological loss is irreversible. It is estimated species are being lost globally faster than one per hour.

While the public is generally unaware of this, the Minister for development is gutting protective legislation under the guise of planning reforms to satisfy a donation fuelled development mania. When introduced in 1979, the Environmental Planning and Assessment Act was the cornerstone for environmental protection. It attracted international attention. Today this legislation has become an instrument of the development lobby through the Minister for development.

There should be Federal intervention to stop this inappropriate interference with legislation which protects the environment.

Here is further proof that money speaks louder than environmental loss:

1. Legal instruments that protecting biodiversity, called biobanking regulation, currently in the legislative pipeline, have already been done over by the development lobbies, reworded and moulded to satisfy the needs of the developers rather than threatened species. The following sentence was found on the web site of a premier development lobby, "We secured parliamentary support ... [re] biobanking which will give landowners threatened species flexibility." What flexibility do they mean?
2. Public land and open space which should be used for increasing habitat connectivity and threatened species corridors instead is being given away to private development by corrupt deals and "thank you" commitments, without so much as public consent as to whether this land should be held for intergenerational open space and ecological restoration or sold off.
3. Environmentally sensitive soils and endangered habitats are being lost and compromised

forever in my local government area by fields of five storey concrete. Why? Potential biodiversity corridors and capacity for regeneration of fragmented species struggling to survive are being gifted to massive development. Why?

The invisible and irreversible collapse of biodiversity foretells our own extinction. Rezoning can either be the death knell or the saviour of biodiversity. However, donations and the power of inducement by money blind the consideration of real estate as a safety net for all species.

**Mr BRAD PEDERSON:** My name is Brad Pederson. I am an independent councillor at Manly, previously the Deputy Mayor of Manly and president of Democracy Watch, Australians for Political Funding Reforms.

Reverend Nile opened this forum with a warning to us that we should be careful of the language that we use. I think this is such a crucial issue we should be careful that the language that we use is not too polite. After all, language is political. Take for instance the term "donation". Why do we use the term "donation" to describe these moneys that are given to political parties and politicians? Why do we call them "donations"?

The term "donation" implies a gift with no expectation of return on that gift. It implies an altruistic act, but nobody should believe that the huge donations circulating through our so-called democracy are given for any altruistic enthusiasm for our democracy. Even if there is no direct undertaking on behalf of the beneficiaries, clearly it is about buying influence. These donations are bribes. They are bribes. To believe anything else is naive. Let's say it straight. Both the major parties are up to their necks in a slush fund of bribes from developers, from publicans, from greenhouse belching polluters, you name it.

The key policy of Democracy Watch is a call for a national summit to develop a national strategy to fundamentally reform in a co-ordinated manner the financial donations legislation for both the Federal and State systems. To achieve maximum financial transparency and probity throughout our Australian political system, the Commonwealth and State Governments must fundamentally reform in a co-ordinated manner their financial donations legislation. Money is fluid and is now and will continue to be shifted around through back doors, through the major parties, through their branches and unless all these doors are shut, it will leave the opportunity for corruption to flourish.

Some good reforms could occur here at State level, but with weak Federal laws it means there are serious limitations as to what can be achieved at this or any other individual State level. The same applies in reverse. Good reforms solely of the Federal electoral system will be seriously limited if all State laws are not also properly reformed. The chain will always only be as strong as its weakest link.

With all our State Governments and national Government now being Australian Labor Party Governments, we are briefly looking at an historic opportunity for a co-ordinated reform at all three levels of our government. I believe that the overwhelming priority of this Committee should be to urgently lobby for a national summit.

I also have concerns about the politics of this very inquiry. It is no secret that the major parties are being strangled by these donations. Indeed, it is now time that our political parties were saved from themselves. Yet the experience is that it is never quite the right time for the major parties to reform the system or to reform themselves. After all, the major parties created for themselves the legislative structure of our campaign finance laws. The major parties, being the beneficiaries of the system, have resisted any attempts at any serious reforms that threaten this privilege. It is a blatant conflict of interest.

This is not the first time that our political and electoral funding systems have come under formal parliamentary examination. Other inquiries have come to nothing, avoided the real issues or actually made retrograde steps, such as the hilariously named Federal Electoral Integrity Act of 2006.

This raises a question as to whether this inquiry will be a genuine attempt at reform or will this just be another cynical exercise in issue management. That is the key point. Which one is it going to be? I think the answer to that will largely be determined by the amount of pressure applied to our political leaders by the public and the media. It is my view that real change will not occur without such pressure.

With this in mind I would like to object to the makeup of this Committee. For Lee Rhiannon MLC to be denied a position on the Committee speaks volumes as to the politics of this issue and the

politicised handling of the formation of this inquiry. Lee Rhiannon has been the most active spokesperson in the Parliament on this issue, yet denied a position on this Committee. Her exclusion is widely seen as a fumbled attempt at muzzling a most important voice. This Committee is now being seen by some observers as lacking legitimacy.

But there is a way for this Committee's image to be redeemed, and this is addressed in recommendation 3 of the submission from Democracy Watch and from Manly council, that being that this Committee immediately call on the Premier and Leader of the Opposition to formally move to have Lee Rhiannon included on this Committee.

Thank you.

**CHAIR:** For the interest of the public, that lady, Lee Rhiannon, has appeared before the Committee and has given us all her views on this issue.

**Mr JOE NAGY:** Thank you very much. My name is Joe Nagy. I am going to switch a little bit. You have heard for the last while some very good suggestions on how to make this system work better, but what you have not heard is what I am going to talk about now, and that is the system itself or the process.

It is not just good enough to say what has to be done. There must be a process that ensures what has to be done will be done and will be done rightly, properly, legally and so forth. The process must be clearly defined and made up of policies and procedures. This will be made public so that we all know what is happening, there is no secret about it. It will be made public so that we can monitor what is happening. The process must be open, transparent and then it will be accountable. If it is not open and transparent, it will not be accountable.

As a side point, there is a big demonstration here from Wollongong against corruption. The reason that corruption happened is very simple: There is no process to control local government. The DLG is a waste of money and space, but I will stop there.

Each candidate must have a finance person that controls the cash. That person will keep a record of all moneys coming in and going out, disbursements. A bank account will be established for the sole purpose of tracking where the money is going and how much of it is going, and this will be done starting with the election period. So there is a zero balance and at the end of it you will have a credit balance or a negative balance, whatever.

There will be a standard form, which the department here will make up. They will say this is how you are going to complete this form and what goes in it. It is not to be hard. You do not have to have an accounting degree or go to Harvard business school to do it. This will be signed off by the finance person and the candidate as being correct and accurate.

The bank statement and income and expense statement will be submitted to the electoral office. The statements will be audited, in the sense not like an audit of a financial statement, but it will be checked up to make sure that these things that they say happened at this stage did in fact happen.

In this way the process will deliver what it is intended to. It has got a better chance of it. If you do not have a process, you are just wasting your time listening to all these people. You have got to put this into action and it has got to be out there public so we all know how the system works.

Thank you very much.

**Ms JOE HOLDER:** Thank you, Mr Chair and Committee members. I am a longstanding ALP member because the party is reformist in many vital social and political areas. I speak only in a personal capacity.

In the past the party has been radical in its approach to transparency, accountability and democratic access to information regarding electoral processes. As you are aware, in 1981 the Wran State Labor Government introduced the first public funding of elections and disclosure of political donations and campaign expenditure in Australia. The Hawke Labor Government introduced important Federal reforms along similar lines in 1983. Recently, the Rudd Labor Government moved to introduce new legislation to fix loopholes in donation disclosure and public funding. Special Minister for State John Faulkner has announced a two-part green paper process. Meanwhile, the Rudd Government has moved urgently to set donation disclosure thresholds at \$1,000, ban overseas donations, reduce disclosure time from 12 months to six months. Failure to comply should be criminalised.

I am here to publicly congratulate and support Morris Iemma for his advocacy of a fully publicly funded model. This is refreshing and welcome. Removing all donations is the price of a clean system. It takes away any taint of influence. It is about public confidence and doing the right thing. Of course donations influence decision-making.

My branch, the Kings Cross branch of the Labor Party, has been a longstanding opponent of developer donations and grog and gaming industry donations. For many years, we and other branches have been a bit of a voice in the wilderness. Some candidates would be seen to ban developer donations at a local level, while taking funds via head office, a sort of a bob each way for candidates in more PC or politically aware electorates.

The wild party is now over. After Wollongong the position among members would be near unanimous that developer donations should be banned. I am sure all branch members would support me in not just my party. The electronic advances in dealing with information make all accounting and disclosure easy. As the bare minimum in the State of New South Wales the Rudd reforms should be introduced and, should Morris Iemma's publicly funded model not be endorsed by this Committee, then at a bare minimum I would urge the Committee to do the following:

Make disclosure timeframes annual. During the year leading up to an election, this disclosure should, of course, be more frequent, that is a minimum every six months. Set up an independent committee to scrutinise government advertising campaigns and act as an ombudsman.

Secondly, I would like to add my voice to the voices of the previous speakers calling for reform of local government disclosure. The disclosure threshold for elections is ridiculously the same as it is for head offices and parties in State elections, \$1500. We need to identify all donors who contribute at least over \$200.

The New South Wales EFA should be given increased funds to computerise these returns and monitor them. It is near impossible to hunt down local returns and I commend everybody who has so obviously spent many, many days trying to hunt them down in their submissions.

Contributions to political parties from individual candidates standing for council should be made prior to elections. This information should be reported in the week prior to an election and posted on the web sites for both the council and the EFA.

Finally, I would like to thank those on the Committee who worked so hard to put this information before the public. I would also like to especially commend the work of Dr Norman Thompson and Lee Rhiannon on this issue. No less deserving of the highest public praise are Maurice Iemma, Kevin Rudd and John Faulkner.

Thank you.

**Ms TRUDY WIEDEMAN:** Thank you, Mr Chair. Thank you, panelists.

People would have you believe elections cannot be won without developers' largesse and there is nothing wrong with the current system that an organisational overhaul will not fix. Both sides of the political divide are consistent in proposing a cap on contributions, more frequent disclosures, anything, just so long as donations keep flowing into the coffers. Who said democracy was cheap? It is not cheap. Infamous words from the Hotels Association that resonate here tonight.

Development applications can take many forms. More commonly we think of dwellings, shopping malls, rezoning. I am here to describe another - pubs and clubs and their effect on the local community.

It is a matter of public record that my local council receives the second largest amount of public political donations in New South Wales and tops the State in terms of the largest amount per candidate.

It is a matter of public record that two of its hotels in the local area are the two most violent hotels in New South Wales. For years residents have expressed concern at the alcoholic rate of crime and antisocial behaviour emanating from these late trading hotels. In the wake of more recent publicity, council and the police agreed to lodge a joint submission to the New South Wales Department of Liquor Gaming and Racing to impose a lock-out from 1 a.m. Both hotels have made significant political donations. Residents await the decision.

It is a matter of public record that registered pubs have made significant political donations. My local area has allowed several local parks to become night time sporting venues, not because of the shortage, but because they have to be near a club or a pub or some other venue. The incidence of criminal and antisocial behaviour in organised sports is on the increase.

The Government is quick to respond to any concerns by sections of the community about law and order, but it has been far less willing to respond to concerns about over-development and public safety. There is no automatic right for third parties to be heard in the Land and Environment Court. Residents cannot appeal decisions to extend operating hours of pubs. Residents cannot appeal decisions to commandeer urban land in favour of clubs. It is not too ambitious for residents to want equal access to the Land and Environment Court as pubs, clubs and developers.

Last year a development application went before council. Opposition was fierce. It meant demolishing a sandstone wall which council's own heritage consultant recommended be added to the heritage schedule. The development was approved. Residents found out later that the developer had made a political donation, and the proposal included right of way access for a councillor who lived next door, access that he did not have, nor was likely to undertake of his own accord. At the same meeting, his favourite football club was handed exclusive use of the neighbourhood park. In supporting these proposals, councillors put donations and mateship ahead of public safety.

Councillors have been directed not to vote in caucus, yet the minutes show the same councillors reached the same conclusion whenever a division is called. No investigation has ever been conducted. If the current system is to be overhauled, what are the ethical responsibilities for councillors? What rules will apply to receiving donations through third parties or shell companies? What penalties will be applied for any breaches? Put simply there are none.

Political donations must be banned at all levels. Public access to the Land and Environment Court must be restored. Political donations and development applications are after all intrinsically linked.

Thank you.

**Mr GEOFF WALL:** Thank you very much indeed for the opportunity to let everybody have a say and also I think it is very noble of you on a Friday night to be doing this. I would like to emphasise a few points which I feel deserve more attention.

Of democracies comparable with Australia, only Canada has made real inroads into fixing the single most important issue of electoral funding, namely corruption and donations. Canada of course has banned all political donations, other than from individuals, and has put a tight rein on the myriad of third parties in all their guises. They have taken bold, effective actions, aspired legal challenges, and now even the Canadian Greens are relatively happy, and how often do you shut the Greens up.

I would like to commend the Elections Canada web site as well. Electoral data disclosure is on-line, ongoing, enables full analysis with data that is topical and hence still relevant. With a similar on-line facility in New South Wales, quarterly disclosure would be much simpler than doing a BAS statement.

If New South Wales slashed donations as per Canada, how would the parties make up the funding shortfall? I would like to make a few points on this topic. Firstly, another feature of the Canadian system, which I have not heard mentioned to date, is their public funding formula. It is based on votes, like ours, but they pay \$1.70 per vote per year, paid quarterly. So if the Canadian parliament goes full term, each vote gets \$8.50, compared with the one-off \$2.75 that we get in New South Wales.

Secondly, the New South Wales auditor's performance report for 2006-2007 found \$81 million was spent on government campaign advertising, for which current guidelines are not adequate to prevent the use of public funds for party political purposes (their words). I would favour independent auditing of incumbent party advertising and increased public electoral funding as per the Canadian regime. This could be combined with an allocation of broadcast time.

One voice that I have not heard at this inquiry is that of the ordinary taxpayer. Are they happy to pay more? To answer this, I walked the streets this week and surveyed 77 taxpayers. They were mostly smokers because they are the only ones that hang around aimlessly. The essential information that I wanted was whether they were sympathetic to the idea of full public electoral funding if in return the political process was perceived as being less corrupt and more democratic. 46 out of 77, which is about 60 per cent, were sympathetic. 30 per cent were unsympathetic and 10 per cent didn't care. I think ordinary people would not condemn a party that were to invest in a fairer system.

During the lifetime of this Committee the issue of electoral funding has evolved very publicly, creating a very fascinating situation at present. All the major players for change are now on side, Mr Iemma, O'Farrell has chipped in, John Faulkner, and I believe the taxpayer. At a time when there is a real nation-wide sense of renewal, a new direction and hope and energy, I hope that New South Wales will again lead the way, as it did in 1981.

I do not think I am over-stating it to say that equitable democracy is the foundation of the extraordinary good fortune, the freedoms, the opportunities, the securities that Australians take for granted. Our democracy, whilst strong, I think is getting a bit ragged at the edges. It is ragged when donations can buy influence, when incumbency buys unfair self-promotion, when one party has three times the budget for advertising, which they use for attack ads.

I would urge this Committee to make strong recommendations to correct these problems once and for all. I believe this will require not just the odd nip and tuck but a full Canadian-style makeover.

I hope we are not convening at another Committee in ten years time pondering how we are going to kerb the excesses of the incumbent Liberal Party.

Thank you.



**CHAIR:** Mr Alan Parr was the next speaker but he has spent his apologies. He is unable to be here tonight.

**Mr PAUL SHEPANSKI:** Good evening. I am the simple New South Wales taxpayer with no specific expertise in the area of political funding.

Whereas most speakers this evening have addressed the specific means by which political party funding should be regulated, I would like to focus on the rationale for reform. It is important that any disagreement over the best means of reform or concern over the complexity of implementation should not obscure the inherent importance of fixing a system that is simply broken and the importance of fixing it now.

It is a fact that broad based support for political parties, whether through direct funding by individuals or through the application of personal time and energy, is an important aspect of our democracy. These contributions provide the means by which all those with differing perspectives on what constitutes good government are able to participate effectively in our multi-party system, providing support for regular meetings, funding research that provides the basis for public policy alternatives and allowing broadcast communication of policy positions.

The critical point of inflection comes when trust in the system is breached. At one level, the effectiveness of a representational democracy is dependent on the relationship of trust between voters and their particular nominated representatives, but the system as a whole does not depend entirely on this relationship. In due course, if confidence is lost between one representative and the people who voted that representative in, voters can express their disappointment at the ballot box.

The larger problem occurs when there is an erosion of trust in the system of government itself that is beyond the individual parties or their representatives. In this instance the freedoms purportedly supported by our system of democracy are brought under fire. Other presenters this evening have provided significant examples.

The means by which funding of political parties can be regulated are well understood and have been discussed this evening. Limitations on the size of donations, transparency of donors, bans on donations from particular types of organisations and caps on electoral spending should all be considered, but the overarching principle that must be observed is that the funding of political parties should not be allowed to compromise the trust placed by the people of New South Wales in our system of government and the freedoms that that system supports.

In three weeks Australia will unite once again to commemorate the sacrifices made by those who have fought to protect our freedom. Despite our frequent involvement in distant conflicts over the last century, here at home it is easy for us to take liberty for granted. Nevertheless, our freedom has been bought at a price and it is folly to consider that its maintenance comes with no cost.

With regard to the funding of political parties, at best it is lazy to assume that those with vested interests can fund our democratic system and at the same time public trust in that system will survive undamaged. As history shows, when trust in the system of government is eroded there will be a gradual loss of the freedoms that it ostensibly seeks to defend.

**Ms MARGARET HOGGE:** Chairman, Committee and ladies and gentlemen, my young grand-daughter will start school next year. Her parents want her to attend an excellent public school near their home. For some time the school's only noticeboard has prominently carried the names of a local real estate office, the names painted dead centre on the notice board. This noticeboard may be the only item provided by this sponsor, but I feel sure the real estate company would be happy to repaint that board whenever it starts to look shabby. No acknowledgement is given to the New South Wales taxpayers, nor the parents, who provide the vast majority of funding for the school. Nor do we know how long the real estate company's sign will last.

Similarly, in politics undue influence by small players can have significant impact on government policy. Think of a donation of several hundred thousand dollars, a relatively small amount when compared to the State budget, by an organisation such as the Australian Hotels Association to the Labor Party and the Liberal Party when leading up to a tightly contested election. The ruling party may tweak some legislation to improve matters for the AHA in anticipation of party funding. It may then receive a chunk of funds from the AHA, again helping it to regain power and may then introduce some favourable policies. Then, when the next election is due, the whole messy, back-scratching game starts all over again.

I have already been involved in making a submission on behalf of the non-smokers movement of Australia to this Committee, and it is a clean air movement. One of the most blatant examples of apparently heavy influence was when the New South Wales Government agreed, both major parties in concert, that in accordance with the Health Department's Smoke-Free Environment Act a room which was up to 75 per cent enclosed could be considered unenclosed. In other words, a room which was 75 per cent enclosed was actually outdoors. Hardly the kind of space in which secondhand smoke, already banished to the true outdoors in most places, should be allowed. This has led to an avalanche of building alterations in pubs and clubs, a boom time for builders and an outbreak of smoking palaces, which not only encourage existing smokers to be comfortable while they indulge in their deadly habit, but also forces workers to continue their labours in unsafe working conditions and spawn new generations of smokers. In addition, children are allowed into such areas, despite research indicating that smoke, even in the real outdoors, can cause them significant damage.

As Smoke Free Australia pointed out in its submission, tobacco related and tobacco friendly commercial interests have had an undue influence upon governments. Ask yourselves to whom do members of parliament owe allegiance. Ultimately, they owe allegiance to their constituents and the State, not to their parties, not to their sponsors and certainly not to themselves.

We need to ensure that government policy is based on independent evidence and expert advice rather than on the financial pressure of powerful interest groups. For once, I am forced to agree with Mr John Thorpe AO, former national president of the Australian Hotels Association. The ABC's Quentin Dempster once asked Mr Thorpe why his organisation had made a large and seemingly influential donation to the Labor Party coffers. John Thorpe replied, "Well, Quentin, democracy isn't cheap." Famous words, aren't they?

I agree with John Thorpe after hearing of other examples of influential donations. Democracy is not cheap. It is priceless.

**Dr JEAN LENNANE:** Thank you. I am particularly concerned as well about the effects on plants and animals of these nasty developer obliging operations that keep happening because they are so-called donations and I agree absolutely with previous speakers who have said, absolutely rightly, that they should be called bribes, not donations.

What I am particularly concerned about is the issue of Callam Park. The hospital there has been under threat for a very long time because of the desirability of the land to the developer donors, and that obviously has influenced in fact both governments over time, and particularly of course Frank Sartor currently.

I am particularly concerned, as a psychiatrist and dealing with people with mental illness, who are human beings, they are our fellow citizens, and if they receive adequate treatment they can do extremely well and live productive and normal lives, but unfortunately there seems to have been the development. What alarms me is that we now have over 200 preventable deaths a year in New South Wales and this is going to increase. If the hospital at Callam Park is closed, as the Government currently intends to do, that number of preventable deaths is going to increase, and what alarms me is that it is so very similar to the Nazi permanent solution, which is the ideal thing, a dead patient is the best economic outcome.

We have a lot of trouble with not just the Government being influenced by developer donation bribes, but general financial pressure, like for example on the CEOs of area health services these days. They are on performance related contracts, so that if they run over their budget they can be sacked, their contract not renewed. So they are under considerable pressure to go along with things like these developer donator helping items that give developers access to the wonderful land that so many of our hospitals are on, and I am sure you have all been well aware of all the big scandals that are going on currently about the inadequacy of not just of mental hospital services but also of general hospital services. They are in really big trouble.

I just wanted to mention also that as well as the CEOs being under pressure, there are NGOs, non-Government organisations, who are in the mental health field, who are now pretty well all government funded, which means that they cannot oppose anything the Government wants to do or they will lose their money.

Then we possibly have a problem with our local Member of Parliament, Verity Firth, who is not supporting her electorate, who are very very strongly in favour of retaining the desperately needed mental hospital at Callam Park and also of course retaining the public open space there, and she just is not representing her constituents on that. That possibly is because she has got so many ministerial jobs that maybe she would not keep it.

Anyway, can we please look at these matters as bribery that can affect everybody, including doctors, because you may or may not have noticed there is a lot of pressure on doctors in a bribery sort of way from drug companies who give doctors all sorts of things.

Can I just mention this last thing, there is an amazing book a very recent book called *The Lucifer Effect - How Good People Turn Evil*--[time expired.]

**The Hon. AMANDA FAZIO:** Mr Chair, I just think it is important to place on the public record that the State Government is in fact opening a new mental health facility in the grounds of Concord Hospital to replace the facilities at Callam Park.

**Mr GRAEME CORDINER:** Thank you for the opportunity to speak. It has been a privilege listening to previous speakers. It is a pity I couldn't elect all of you to Parliament.

I am talking basically on the issue of trust and the members sitting around here are probably aware that the institution of Parliament rates as one of the lowest institutions for public respect. That should not be the case, we should respect you, but that is the case. In the current State Government particularly this is true.

I draw the link here between power, politics and money, but it has actually existed since early colonial Australia. The property interests and the hotel interests dominated early Australia and created political scandals. There is always a fallout and it is always the vulnerable that get hurt.

I recall hearing a submission by Mahroot, the last Sydney Aboriginal person in this Parliament. He seemed to be apologising for his existence in the face of these inevitable forces that were coming upon him. As one involved in the Myall Creek massacre, I am very aware that the massacres in Australia were primarily driven by commercial interest, and today there is a feeling of powerlessness and cynicism and there is a deep anger in people felt by residents. It is a frustration that runs in the face particularly of the New South Wales Government's development policy, seen as it is to be driven by developer interest and it is undermining trust in the whole political process. That is my real concern. Senator Andrew Murray said:

For those of us who cherish democratic ideals, it is hard knowing that political donations are valued over grassroots democracy; that secrecy is still valued more than openness; that political equality is a furphy; and that incumbency and influence is what really matters.

Here I agree with the Democrats that as long as the powerful mix of business, unions, money and politics remains loosely regulated, Australian democracy will continue to be undermined. Of course donations influence decisions. Why else would they be made? Of course this corrupts process, buying time and influence. Of course I am not surprised to find out that property developers, clubs and hotels, banks and finance corporations are the biggest donors.

From colonial times, from 1788, nothing has changed. This is an historic process and I really welcome this inquiry and the members here. You are actually on a cutting edge, an historic opportunity to reverse a process that has been there since the foundation of this colony. That is how important this Committee is.

Whilst welcome, I agree with the New South Wales Coalition and the Greens that Mr Iemma's reforms do not go far enough. We need to cap election expenditure and ban corporate donations and I agree with the chief executive of Urban Taskforce Australia, who says that not only developers need to be targeted, in his words, "We need a far more radical solution. We need a complete ban on political donations."

This is particularly the case given an increasing and alarming - and I believe the Labor Party of New South Wales really needs to take this on - centralisation of power that is taking place in the hands particularly of the Planning Minister Frank Sartor, bypassing local consultation and the history of decisions perceived to be in the interests of large developers with Labor Party links. This is a very real thing in the community, and the New South Wales Liberal Party contention that donations are fine if given whilst in opposition only reinforces the need for a wholly new political culture.

I submit some recommendations here that basically have been covered before. I would add one: Upon retiring, Members of Parliament should be barred from working for at least two years in any area which could be seen as giving an unfair advantage. That is something that people haven't mentioned.

A final one that has not been mentioned: We have just had a "Sorry Day" apology. How about an apology given to the people of New South Wales by both major parties for the years of inaction in failing to ban political donations, thereby undermining public trust, and this trust is the life blood of our precious and fragile democratic institution, which is our property as much as our elected

representatives.

I salute you being on this Committee. This is an historic opportunity to deal with something which has not been dealt with since the foundation of this colony.

*[Speech incorporated pursuant to leave]*

Policy Recommendations

3.1 Donations from companies, trade unions, and all other organisations should be banned.

3.2 Donations through trust funds, foundations and clubs, and from anyone outside New South Wales, should be banned, closing the "third party" loophole.

3.3 Public sector funding from the public sector should be increased in a fair and sustainable manner so as to not further entrench current parties' interests.

3.4 All donations and details of electoral income and expenditure should be declared monthly on a public website maintained by the electoral office.

3.5 Financial caps should be placed on electoral and campaign spending and on individual political donations per year, to be extended Australia-wide to prevent multiple donations.

3.6 Upon retiring members of parliament should be barred from work for at least two years in any area which could be seen to give an unfair advantage.

3.7 An apology be given to the people of New South Wales by both major parties for the years of inaction in failing to ban political donations and thereby undermining public trust, the lifeblood of our precious and fragile democratic institution.

**CHAIR:** We have apologies from the next two speakers. Cath Lyons and Francis Burnham are unable to be here tonight.

**Mr DEREK RECSEI:** Thank you, Chairman and Committee. I used to work for a software supplier of systems to electrical, water and rail utilities and as such they were quite intimately connected with local government as well as regional government and the State Government. As part of my job I travelled overseas to neighbouring countries, neighbouring to Australia, and I encountered donations or bribes, or what whatever you want to call it, firsthand in a lot of cases. My role is a sales role, so I was representing an organisation selling systems in competition with other organisations, and the process of corruption was very evident. There were seven consequences that I observed and wrote down.

The first consequence was that it was obvious that the organisations which won supposedly open tenders were the organisations that were the best at producing donations, rather than those that offered solutions that were best for the people that they served, and remember electricity, water and rail are essential public services and these were being undermined by the fact that the tenders were being awarded to people who provided a lot of money rather than people who actually had good systems in place.

The second consequence I noticed was that there were inordinate delays in the awarding of the tender, and the reason for this was fairly evident in the sense that the longer it took to award a tender, the more opportunity there was to raise donations from the parties doing the tendering.

The third consequence I noticed was that the process of awarding tenders was extremely fragile, in a sense that someone within the government organisation might have been promoted or may have left the organisation or maybe even there was a change of government, in which case the whole process started again from scratch. There was no absolutely process of continuing a previous tender evaluation, it just started again and all the donations started again and the whole thing started again.

The fourth consequence I noticed was that obviously there was a lot of unproductive time spent by both officials within the tendering organisation and those officials within the government utilities and this unproductive time was obviously spent on the issue of donations rather than the issues of serving the people that they represented in supplying them with decent electricity, rail and water.

The fifth consequence I noticed was that safety problems arose because essentially the government organisations that were legislating for safety were in the pockets of the people who had won the tender through the donations and hence they did not enforce the safety regulations to the extent that they should have and people were injured and died. Some of the examples you will have seen in the newspaper are shopping centres collapsing and disasters in chemical plants and the like. I did not see any of those but I did see more minor occurrences of that at that time.

The sixth consequence I found was that people paid too much for what they got. So the poor peasants working in the fields paid a lot more than they needed to for their water and their electricity and their transport.

Finally, the seventh thing I noticed was that the corruption spread very easily. As soon as you had a little bit of corruption spring up, it tended to spread like oil on water and soon everybody was corrupted by the process of donations and money.

After my trips to these neighbouring companies, it was always a big relief for me to land in Australia, which was a relative haven and free of this stench of corruption, and my request is that we keep it that way and my request is that we stamp on these initial signs of corruption as quickly and as harshly as we can.

In terms of solutions, I do not have a lot of solutions to propose, apart from perhaps considering that donations are made anonymously. So if companies believe it is their corporate or civic duty to make donations to help the public election process, that this be done in an anonymous fashion and that the money be pooled to all parties standing for the election.

Thank you.

**Ms YVONNE JAYAWARDENA:** Mr Chairman and Committee members, reforms to the electoral and political party funding are urgently needed. As a former local government councillor and candidate of Federal and State elections, I do have some knowledge of the system.

I support the banning of donations from corporations, developers, trade unions and third party institutions, and I support also a limit to the amount and frequency of funding, as well as adequate disclosure of donations from other sources. I further support full public funding in principle, but I am very concerned that, due to the difficulties in achieving an adequate and fair system of public funding, the sudden emphasis from all sides on such funding may not simply be a delaying tactic to keep the status quo until all difficulties are resolved.

I had hoped that the lower House would wait for the recommendations of your Committee. The Premier has already made a statement supporting the banning of donations from some sources and stated his support for public funding. Under a public funding system a cap on the total expenditure of a party is reasonable, but an indication of what a party can spend this money on is a form of censorship and I think we will need the control of the party.

Referring back to donations, there appears to be support for individual donations to continue, at least the Greens support that. This may lead to abuse of the system. Therefore, the amount should be limited to \$500 per year per individual, with full disclosure of all donations.

Moreover, services rendered or donations in-kind should be taken into account. They may take various forms, from the occasional photocopying, postage paid, printing of leaflets to the vast sums paid by corporations or trade unions for print and TV advertising. It would be somewhat difficult to ban altogether such advertising without infringing on the right to free speech, but a limit should be put on the amount and frequency of such spending.

Some forms of funding may also be counted as donations. I refer, for instance, to fund raising dinners organised by political parties where the cost is, say, \$500 or more per head. With a hundred people attending, this amounts to \$50,000, of which only half would be the actual cost for the food and drinks. Then there are auctions for an individual lunch or dinner with the Minister for instance.

So far as public funding is concerned, this should be done on a national basis with all States and the Federal Government supporting the one system with bipartisan support if public funding is to be truly effective, and that of course would be extremely time consuming. The transfer of funds from other States should be prohibited, but it is difficult to monitor.

In general the Canadian system is much lauded, but it too is a system still mainly of post-election funding. For a truly level playing field, there should be a pre-election funding system. All candidates should have similar financial means to put their case before the electorate. A mechanism should be found to eliminate frivolous nominations, which may well occur.

Appendix 1 in the November 2007 discussion paper shows clearly how undemocratic and inadequate the current system is. No small party, other than the Greens, the Christian Democrats and the Shooters Party, and no independents were entitled to any funds from the central fund for the 2007 election. As an independent candidate I know how much money is required for even a modest campaign.

Finally, there is support from the public for banning donations from corporations, developers and so on, but the public will not be happy if a great deal of taxpayers' money, and that is what public funding is, is spent on elections and political parties. I can foresee a public outcry about this expenditure when there is a dire need for more funding for health, transport, education and infrastructure.

Your Committee will need considerable insight and courage during the formulation of your recommendations. I wish you great success for the work you are undertaking.



**CHAIR:** I wish to just make some closing remarks. Each of tonight's speakers clearly feels strongly about the funding of elections and political parties. I would like to take a few minutes to recap some of the key issues that have been raised, including to reassure you, although it is probably not necessary, that this is a genuine inquiry. There is also a genuine readiness for radical change in political funding, donations and so on from the evidence we have been receiving from all the witnesses and from the major parties.

The speakers have made a number of points, including the banning of all donations or capping of donations to avoid undue influence on the political process. There was particular concern about the impacts of developer donations. In regard to spending, capping election spending to ensure a level playing field and to support the emergence of new parties. Disclosure. More regular and timely disclosure, particularly before voting on local government elections. Speakers also raised a need for more resources for the Election Funding Authority and for giving to the authority stronger investigative powers. Another issue was more voter education to improve awareness of our political system and electoral process. Speakers talked of the need to address the erosion of public trust in our political process. Our Committee wholeheartedly agrees.

The Committee will consider the issues raised to tonight in drafting our report. If any persons present wishes to provide the Committee with further information or respond to anything that was said here tonight, we would welcome further written submissions.

Finally, I would like to thank each one of you for making the time to come in your busy lives to attend to tonight's forum. I particularly thank each person who has made a statement. We look forward to considering your views as we make positive recommendations for policy change with our great expectation that there will be positive changes in New South Wales. Thank you, ladies and gentlemen.