

International and Political Studies Program
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Committee Secretary
Joint Standing Committee on Electoral Matters
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Dear Committee Secretary,

Political Funding Disclosure Regime

Thank you for the opportunity to contribute to this Inquiry into the 2016 Federal Election and Related Matters. My submission addresses item three on the terms of reference, the current funding disclosure regime and its application.

I am a politics academic at the University of New South Wales. I have published widely in the world's leading political science journals and been the author of three books.

This year I began a research project that required me to become familiar with the Australian Electoral Commission's database for disclosing political donations and expenditure. The course of my research has exposed me to the significant limitations of the AEC disclosure system, which I contend contributes to significantly reducing the transparency of the political funding disclosure regime.

In this submission, I propose a number of changes in the data that is collected and how it is disclosed so as to facilitate greater transparency around political donations and political funding in Australia.

The Importance of Data Accessibility in Achieving Transparency

For political donations disclosure to be an effective political transparency measure, the data must be able to be accessed in a meaningful form by the public. Journalists need to be able to construct accounts for the public that inform them about how the political parties are being funded. They also need to be able to put individual payments into a context which enables the public to make reasonable judgements about the likely significance and influence of payments, and their acceptability in the democratic process. The provision of disclosure data in a way that hampers such analysis can be an effective form of concealment.

In 2016, in the wake of increasing public debate about political donations, two ABC current affairs programs, *The Weekly with Charlie Pickering* and *Four Corners* and, attempted to give their viewers an understanding of the political donations landscape. In commenting on the poverty of the media coverage of political donations they observed:

The reason that is the only story that you heard about is simple. Not a lot of people have time to go through this stack of political donations data. [Places Enormous pile of paper on the desk]. But we are a comedy show so we have time on our hands. (The Weekly, 2016).

They made considerable investments of staff time in seeking to analyse the Australian Electoral Commissions(AEC) data (McGhee 2016). Despite their efforts they did not end up being able to offer their viewers any insights into the funding basis of the parties, instead focusing on how difficult it was to glean anything meaningful from the data.

There is also a paucity of political science research on political donations in Australia. A 2008 study by McMenamin and a 2014 study by Tham and Andersen limited to New South Wales donations have been the only major studies conducted to date. Anecdotally, it is often discussed among academics that the reason for the lack of research in this area is the problematic nature of the AEC data. This has certainly been my experience in working the database this year.

The Problems

The AEC data presents a number of challenges that can make it difficult to get a grasp of what is occurring the political donations landscape. There are thousands of lines of data, with limited means to sort or categorize the data. The aggregates that can be easily calculated are not meaningful. The AEC does not make any attempt to analyse aggregates and trends in the data. This means that journalists and those seeking to report on political donations matters struggle to piece together meaningful perspectives within the resources available to them.

For researchers that have the resources to dedicate to analysing the data, the task is substantial to get any sort of overview of what is occurring. The Australian Electoral Commission database presents a number of challenges. Firstly, the AEC data only provides the name and address of donors. As a result, hundreds if not thousands of lines of donors need to be researched and coded to identify what companies from what sectors are making payments. Secondly, it is difficult for a researcher to be confident of having found all of the payments from a single organization due to a lack of linkages between payment types in the data, and different abbreviations of company names. Thirdly, the AEC also does not provide even the most preliminary breakdown of the data, for example in the 'Other Receipts' category public funding is mixed in which payments that McMenamin (2008) argued should be treated as donations for analytical purposes. As a result, clearly innocent income needs to be manually separated out from likely donations, before basic tallies can be calculated. Finally, the AEC data does not link donors across years within the database. To identify any patterns or trends in the data, any analysis needs to be done for each year individually, and then linked to derive any trends or anomalies. This makes it cumbersome to not only assess broader trends in the political donations data, but also to put individual payments into any kind of context that would enable a researcher, let alone a journalist operating on short deadlines, to identify their likely significance or influence.

The accessibility issues around the AEC data is adding a further barrier to transparency in an already opaque political donations landscape.

Recommendations for Improving the Quality of Data Disclosure

The difficulties in accessing the AEC data arise from a lack of categorization of payments that would enable the large amount of data to be sorted. To address this problem:

1. Donations and other receipts received from businesses, unions and other organizations should be categorized using Australian Bureau of Statistics industry codes
2. Donations and other receipts from all payers should be categorized by the electorates the payer records as their address
3. Public funding should be identified as a separate category and separated out from 'other receipts'

It is widely acknowledged that a significant portion of political funding is being drawn from people 'paying for access'. To be transparent about this process:

4. Donations and other receipts should be linked to parliamentary submissions by those payers
5. An 'open diaries' regime should be implemented and donations and other receipts should be linked to opportunities that the payer had to meet the relevant parliamentarians and their staff

The Australian Electoral Commission should provide overviews and trend analysis of the major payment types to enable the Australian public to have an understanding of how their political parties are being funded, and how that funding is changing.

6. A summary of the amounts of money in the different payment types for each party, and how they are trending over time
7. An overview of the sectors that are providing funding to the political parties
8. An overview of which electorates are funding the political parties

Finally, these analyses will only be valuable if there is reasonable integrity in the data that has been provided by the political parties. To date there has been a very lax attitude to enforcing the accuracy and compliance of disclosures. To my knowledge there have not been any prosecutions for failing to meet compliance obligations, even though failures are rife in the data. Reconciliation of data provided by donors and parties reveal large discrepancies and failures in reporting. One analysis found 80 cases in the 2014-15 where donors had declared payments as a 'Donation' and the parties had recorded the payments as 'Other Receipts'. Other analyses have found millions of dollars unaccounted for (McGhee 2016). In order to improve the integrity of the data:

9. Expand the definition of donation or gift to include all fundraising activities
10. Lower the disclosure threshold to \$1000, to be calculated cumulatively over an election cycle across a whole party group
11. Require continuous disclosure of payments over the threshold
12. Empower the Australian Electoral Commission to police the timeliness of disclosures, and the accuracy of the categorization of disclosures, with failures to be penalized with fines and public statements of compliance failures.

I would be prepared to attend a Committee hearing to expand on these points further if required.

I would also be happy to address the Committee on what my research into the data has revealed regarding the make up of the political donations being reported, and what remains unknown.

Comment [z1]: ref

Thank you for considering this submission.

Yours sincerely

Dr Belinda M. Edwards

References

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