



Senate Finance and Public Administration Committees

PO Box 6100

Parliament House

Canberra ACT 2600

Thursday, 5 November 2020

To whom it may concern,

I am writing to support the proposal that political donations be limited to \$3,000 across the board, and to prevent certain industries from making political donations, specifically: property developers; tobacco industry; banking industry; liquor and gambling businesses; pharmaceuticals companies; the mining industry and; representative organisations for these industries.

My submission will focus primarily on those industries for whose profits are reliant on addiction. In particular, the alcohol, tobacco and gambling industries. This submission is based on a large body of work we conducted in relation to an Australian Research Council (ARC) Linkage Grant into corporate political activity (CPA) in Australia, the details and summaries of which can be found at <https://www.industryinsight.info/>.

The practice of business corporations making political donations to garner influence over political parties, i.e. to advance their interests (Adams, 2016), is especially troubling in relation to products that damage human health. Australia is one of the least tightly regulated. There is no consistency between states, which allows for circumvention of state laws. Australia is generally regarded as a stable democracy with relatively low levels of corruption, being ranked 13th out of the 180 countries in the Corruption Perceptions Index in 2017 (<https://www.transparency.org/country/AUS>). But its ranking is falling, and the undue influence on politicians of corporate actors has been cited as a cause for concern (Beresford, 2018). According to one public enquiry, Australia's current political donation regime is weak compared to other high income countries (Electoral Matters Committee, 2009).

Academic research on corporate political donations mainly occurs within the disciplines of business ethics and political science (Aggarwal, Meschke Felix, & Wang Tracy Yue, 2012; Bond, 2007; Leong, Hazelton, & Townley, 2013; Lu, Shailer, & Wilson, 2016); though there is some public health literature in relation to tobacco (Alechnowicz & Chapman, 2004; Begay, Traynor, & Glantz, 1993). Donations are often used to prevent the adoption or implementation of policies that are contrary to corporate interests. For health harming industries these include regulation, taxation, and other evidence-based interventions; and they seek instead to promote ineffective



programs (Holden & Lee, 2009; Tesler & Malone, 2008). Tobacco industry internal documents show that where the policy decision looks unwinnable, the goal may be to obfuscate and delay, protecting profits until regulation is implemented (Glantz, 1996).

A recent systematic review showed that a range of methods are used to influence alcohol policies, among which donations may serve to support long-term relationship building with key political actors, and can be integrated with other methods of influence (Jim McCambridge, Mialon, & Hawkins, 2018). Australian analysis has found that delays by government in implementing alcohol warning labels were probably due in large part to lobbying by the alcohol industry (Mathews, Thorn, & Giorgi, 2013).

As a part of the ARC project, we sought to (1) examine patterns in political donations that Australian political parties declared receiving from tobacco, alcohol, and gambling industry actors, and (2) investigate the views of people with experience of donations and their effects on political parties and public policy-making. The paper was published in the academic peer reviewed journal, *Drug And Alcohol Review* (Kypri et al., 2019). We employed a mixed methods design to estimate the extent of donations from tobacco, alcohol, and gambling industries, and their function in Australian politics. Methods included analysis of donations data and interviews with key informants.

Key findings from industry donations to Australian political parties' paper

1. In the 10 years to June 2015, Australian political parties received \$14,113,040 (Australian dollars; approximately US\$11 Million) in donations from tobacco (\$1,926,679), alcohol (\$7,650,858) and gambling (\$2,871,609) industry bodies, and the major supermarket chains (\$1,663,895).
2. There were high levels of donations from tobacco, alcohol, and gambling industries declared by Australian political parties in the period 2006-2015. Donations increased to the party in government (Labor from 2007-2013) in the lead-up to critical policy decisions on alcohol and gambling, and to all parties before federal elections. Interestingly, there are differences between industries in this regard, with alcohol industry actors donating more before elections than gambling industry actors. This suggests differences in strategy, with alcohol companies investing more in donations to influence electoral outcomes and in building long-term relationships.
3. From the interview data the following themes of political donations function were identified:
 - (1) buying immediate influence;
 - (2) the part played in building long-term relationships;
 - (3) exploiting a flawed political system; and



(4) that it is necessary to look beyond donations, e.g., to gifting relationships that provide mutual benefit, and the public's right to know about corporate influence on policy-makers.

The following narratives from key informants clarify these themes.

Theme 1: Money buys access

According to one informant, the size of the donation matters greatly:

If someone donates \$1000, they support you. If they donate \$100,000, they've bought you (politician, #1).

Another suggested that if donations were not effective in securing benefit, they would cease:

There's no doubt that if someone makes a significant donation to your campaign or to your political party, then you tend to look fondly towards them (ex-politician, #5).

He explained why and how donations matter:

The real politics of it is that if there's someone who can cause you pain and maybe even cause you to lose an election, you keep them close (ex-politician, #5).

If you know that they are a regular donor then you'll obviously meet with them (ex-politician, #5)

Others attested to the importance of personal contacts, e.g.:

...the CEO [Chief Executive Officer] of the AHA [Australian Hotels Association] or the CEO of Crown Casino is capable of picking up the phone and ringing individual members of parliament or ministers...I've got their mobile numbers as well. You bump into them at functions; not just political functions but corporate functions, charity functions of all kinds...Everyone knows everyone...But I don't know if that's a corruption of the system or it's just simply the reality of the corporate sector (politician, #4).

Political donations are thus implicated in the building of relationships with politicians, and the initiation of favour exchange. What is noteworthy is the way in which such close relationships between corporate actors with vested interests and political representatives are seen as a routine feature of contemporary politics, even while acknowledging that this may risk corruption.

THEME 2: POLITICAL DONATIONS ARE PART OF A LONG-TERM STRATEGY OF INFLUENCE

Industry actors identify different types of target for donations to build relationships, including politicians early in their career:

[Industry actors] have a habit of finding either politicians who have power, or who look like they might have power [in future], and they give them a fairly small amount of money, you know, to try and curry favour, and when they do it seems to work, unfortunately (ex-political staffer, #2).



This respondent explained how particular roles were designated regardless of status in government at a particular time:

So, what they'll do is they'll find guys who have a voice in caucus and they buy...we call it mouthpiece money...there's two or three guys or women in caucus who will argue on behalf of the club (in regards to gambling policy), right. They'll also then go and find the next up-and-coming heroes who might become the next Premier; he might be a guy on the rise, and they'll start giving him money too (ex-political staffer, #2).

From the rising politician's point of view donations enhance their career prospects. In the long-term relationship building strategy outlined here, donations thus appear pivotal. Being seen as an unremarkable part of the political environment reinforces the maintenance of such relationships with corporate actors:

I see them at regular functions so they always maintain a presence at party forums where corporates are invited; always maintain a presence in terms of general communications around Twitter and things like that. Just to make sure that they're part of the political discussion of the day. Not necessarily pushing an agenda but just maintaining a relationship. So that when they do have an issue which is front-and-centre they have existing contacts and existing relationships that they can then simply advocate for a particular issue (politician, #4).

In this way relationships are built gradually and provide opportunities for influence over the longer term. Informants emphasised that ongoing personal contact is critical and that having the resources to maintain a presence in the political sphere helps to maintain avenues of influence:

Keeping channels of communication open and maintaining relationships...is the large part of what we would advise our clients to engage in, and we're the system to do that (politician #4, speaking of when he was a lobbyist).

THEME 3: A FLAWED SYSTEM

Some political actors expressed their desire for a system free of commercial influence, e.g.,

...on balance I would prefer to see no industry of any kind funding election campaigns in a way, because I think it has the potential ...to distort... (ex-politician, #3).

But they also noted that politics is expensive, and becoming more so, thus increasing the appetite for money to fund election campaigns, and thereby the reliance on corporate donations, e.g.:

It's very difficult, because the way it's structured at the moment, MPs have got to fund campaigns and you've got to find your donations wherever you think you can legitimately and decently do that (ex-politician, #4).

One further factor that compounds the dilemmas facing individual politicians and parties is the lack of transparency around who buys access, and why, which is perhaps a fundamental flaw in the current system:



So, the political donations issue, and it's not just the well-known suspects, or the usual suspects. It's widely spread. There's all sorts of devices used to cover it up (ex-politician, #3).

This means that donations can be accepted, for example, below the stipulated threshold, and kept secret (Kypri et al., 2019).

PUBLIC OPINION STUDY

We have also conducted a study into the public's attitudes towards political donations specifically around the alcohol industry. This study is currently undergoing revision after initial peer review and provisional acceptance which means the findings may change although modified analyses have not been requested. In the interest of not breaching academic protocol only summary information will be supplied.

Key findings were:

1. Over half of the participants agreed that donations are made to influence government policy and to support the interests of the industry.
2. Over half of the participants did not believe that it is appropriate for political parties to accept donations from the alcohol industry or for politicians to attend alcohol industry-hosted events.

Conclusions

From our research it was acknowledged by respondents that political donations do influence how you view the donor and consequently access and influence. The high threshold for donations is easily exploited, especially by industries such as alcohol with many smaller stakeholders.

It is clear from this evidence that the proposal to ban donations from these industries, and a broader ban on donations over \$3000 will be a substantial step forward in reducing the levels of advertising by political parties and the influence that has over elections.

It is also clear that a new system of reporting must be introduced whereby any donations or gifts reported in real-time and publicly available for every politician and their staff. Further, any extra events such as Parliamentary wine tasting or sporting tickets needs to be documented as a clear conflict of interest for each elected representative.

The potential for influence on policy decision-making seems likely to grow as the cost of competing for office increases. It has been estimated, for example, that the Liberals spent \$46M and Labor \$34M in the 2014-15 financial year on broadcast advertising alone (Keane, 2016). This suggests that the donations identified here should probably be seen in the context of a larger dependence of political parties on corporate money. Having to



secure funding diverts parties from developing policy, communicating with constituents, and governing or providing effective opposition. Such dependence facilitates the exercise of donor financial power at the expense of democracy (Rajwani T, Lawton, & McGuire, 2013).

While it was suggested by one informant that bigger donations buy more influence, our analysis also points toward small donations being implicated in long-term relationship building. Research revealing how drug reps regularly visit doctors, giving them pens and notepads to influence their prescribing practices, attest to the effectiveness of such tactics (Katz, Caplan, & Merz, 2003).

Skilful cultivation of relationships and corporate gifting (e.g., concert tickets, bottles of wine) and shared activities (e.g., sporting events in which politicians and lobbyists attend together (Evans, 2018)) create a subtle but sustained pressure, like ‘water dripping on stone’ (Hawkins & Holden, 2014). The impacts on government policy may take years to materialise (J. McCambridge, Hawkins, & Holden, 2014) and be untraceable to their origins (Jim McCambridge et al., 2018).

Political donations cover a broad array of strategies which are effective in gaining access to political actors, building relationships and ultimately influencing policy by various means. The current monitoring system makes it impossible to know how much corporations donate, while gifts and gratuities designed with the expectation of reciprocity go unrecorded. The rules covering political donations also fail to meet the expectations of the Australian public regarding the integrity of their political representatives. The proposed restrictions on specific industries and a generic limit on donations to be within the reach of the average population is a substantial improvement on the current system which will support equitable democracy for Australia.

Sincerely,

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