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Submission to the inquiry into the *Commonwealth Electoral Amendment (Donation Reform and Other Measures) Bill 2020*

Senate Standing Committee: Finance and Public Administration Legislation

29th June 2020

Dear Secretary,

Thank you for the opportunity to make a submission to the inquiry into the proposed amendments to the *Commonwealth Electoral Act 1918*.

The Centre for Public Integrity is an independent think tank dedicated to preventing corruption and increasing public trust in government. We are concerned with the potential for money to have an undue influence on our political process and democratic decision making.

The proposed amendments improve the transparency of money in politics. The Centre for Public Integrity supports the reforms as a positive first step in reforming our political finance system.

The current risk of undue influence of money in politics

The Commonwealth has the weakest integrity laws in the country.

There is no independent oversight of Commonwealth parliamentarians, ministers, political staff and public servants. Moreover, political influence can effectively be bought as a result of inadequate regulation of political donations and lobbying. Political donations under the threshold of \$14,000 need not be disclosed, donations are only disclosed annually, and there is no limit to how much parties can spend on campaigns. Lobbyists working in house directly for a company or association need not adhere to the Lobbyist Register or Lobbying Code of Conduct. A Commonwealth Parliamentary Code of Conduct does not exist, nor does a National Integrity Commission. The Australian Electoral Commission lacks the investigative powers and resource to enforce compliance with disclosure requirements and breaches of the Ministerial and Lobbying Codes of Conduct have no real consequence.

15 Point Plan to eliminate the undue influence of money in politics

The Centre for Public Integrity has published a 15 Point Plan to eliminate the undue influence of money in politics. The plan includes:

1. Caps on electoral expenditure
2. Caps on political donations
3. Transparency of political donations and electoral expenditure
4. Increased public funding of political parties and candidates
5. Regular reporting of gifts and interests
6. Cap on government advertising
7. Restrictions on Parliamentary entitlements
8. Alignment of state and federal political finance laws
9. Transparency of lobbying activities
10. Codes of conduct strengthen and enforced
11. Close the revolving door
12. Ban cash for access
13. Fair consultation process
14. Statement of reasons
15. Effective compliance and enforcement

The full publication with more detail on each point can be found here:

<https://publicintegrity.org.au/wp-content/uploads/2019/09/Eliminating-undue-influence.pdf>

Transparency, disclosure and reporting

The Centre's 15 Point Plan makes the following recommendations for the transparency of political donations and electoral expenditure:

- a. Low threshold to report all individual donations over \$1000, or aggregated donations of \$3000 over 3 years, to political parties, candidates, associated entities and third parties
- b. Broad definition of 'donation' to include income from party fundraisers, corporate sponsorship of business forums, and membership fees over \$600 per year
- c. Real time disclosure of donations and expenditure, plus quarterly reports providing categorisation and aggregates of donations and expenditure
- d. Donations and expenditure returns to be itemised, and audited
- e. A single dedicated campaign account to facilitate auditing

Current disclosure regulations allow the majority of political donations to be hidden. With the threshold for reporting set at \$14,000 and without a cap, donors could potentially donate \$13,900 multiple times through federal and state parties and not be disclosed to the public. Donations disclosed above \$14,000 are only made publicly available in early February of the following year. Following the May 2019 federal election, voters will only know of donations made during the campaign over 9 months after the election, at the end of January 2020.

Donations made through attendance at party fundraisers, priced at \$10,000-20,000 per person, are currently not categorised as gifts. Corporate sponsorship or membership of cash-for-access business forums, with reports citing corporate contributions of \$27,500 and

\$110,000, are at risk of being hidden from public view.¹ The Millennium Forum, a former business network of the Liberal Party, has been exposed in funnelling illegal property developer donations, and facilitating the undue influence of property developers seeking assistance with a debt-ridden company.² Other membership fees that contribute to advocacy and electoral expenditure are also not disclosed to the AEC, including corporate membership of peak advocacy bodies.

Our research shows that these gaps in our disclosure scheme have led to over \$1 billion of party income not being disclosed since 1999, including over \$100 million in the 2018/19 financial year alone.³

The proposed amendments

The proposed amendments improve the transparency of money in politics by lowering the disclosure threshold, broadening the coverage of the scheme, and making disclosures more timely and enforceable.

Disclosure threshold

The Centre for Public Integrity supports a disclosure threshold of \$1000 which is alignment with best practice state schemes. The proposed amendments lower the threshold from \$14 000 to \$2500 which is a positive step.

Timeliness

The proposed amendments require reporting entities to disclose reportable gifts within 7 days and introduce a half yearly return period. This is an improvement on the current scheme, through best practice would be to introduce real time disclosures as is currently being introduced in Queensland.

Coverage

The proposed amendments extend the definition of reporting entities. Importantly, the amendments also limit donation splitting by requiring disclosure of gifts where the sum of gifts from the same or related donors is greater than the threshold.

Enforcement mechanisms

Disclosure schemes are only as effective as the enforcement mechanisms in place. The proposed amendments improve enforcement mechanisms by setting up electoral expenditure accounts and strengthening the enforcement powers of the Australian Electoral Commission.

¹ Knaus, 2018, *Liberals and Labour urged to come clean on business paying for political access*, The Guardian, <https://www.theguardian.com/australia-news/2018/oct/28/liberals-and-labor-urged-to-come-clean-on-business-paying-for-political-access>

² Marksonn, 2016, *Defunct Millennium Forum set Baird up with property developers*, The Australian, <https://www.theaustralian.com.au/nation/politics/defunct-millennium-forum-set-baird-up-with-property-developers/news-story/1ed4e389bff695c57753d3dde5da26d4>

³ The Centre for Public Integrity, 2020, *Hidden money in politics: what the AEC disclosures don't tell us*, Briefing paper, February 2020, <https://publicintegrity.org.au/wp-content/uploads/2020/06/Briefing-paper-Hidden-money-in-politics-2019.pdf>

In summary, the Centre for Public Integrity supports the reforms proposed in the *Commonwealth Electoral Amendment (Donation Reform and Other Measures) Bill 2020*.

Warm regards,

Han Aulby

Executive Director

The Centre for Public Integrity

About The Centre for Public Integrity

The Centre for Public Integrity is an independent think tank dedicated to preventing corruption, protecting the integrity of our accountability institutions, and eliminating undue influence of money in politics in Australia. Board members of the Centre are the Hon Tony Fitzgerald AC QC, the Hon David Ipp AO QC, the Hon Stephen Charles AO QC, the Hon Anthony Whealy QC, Professor George Williams AO, Professor Joo Cheong Tham and Geoffrey Watson SC. More information at www.publicintegrity.org.au.