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The tip of the iceberg

Political donations from the mining industry

The mining industry has disclosed donations of \$49.9 million to federal political parties over the last decade. Of donations to major parties, 81% went to the Coalition, often in years donors paid no company tax and lobbied for approvals and particular policy reforms.

Discussion paper

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September 2017

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Acknowledgement

The Australia Institute would like to acknowledge the financial support for this project received from the Australian Conservation Foundation and the World Wildlife Fund.

Summary

Political donations in Australia are difficult to monitor as many go unreported. Only donations over \$13,000 are disclosed to the Australian Electoral Commission. The majority of donations are likely to be under this disclosure threshold or hidden through other means, such as through associated entities or party fundraising events.

Despite these shortcomings, the disclosures that do exist allow for analysis of which companies make major, disclosed donations to which political parties. This report focuses on donations made to political parties by resource companies as disclosed to the Australian Electoral Commission. This includes donations over \$13,000 made to state and federal political parties. The poor quality of data provided by the AEC makes more detailed analysis difficult.¹

This report finds that:

- The mining industry has disclosed donations of \$16.6 million to major political parties over the last ten years (2006-07 to 2015-16)
- Disclosed mining industry donations to political parties have increased from a base of \$345,000 in 2006-07 to a peak of \$3,788,904 in 2010-11
- 81% of these donations went to the Coalition, including 71% to the Liberal Party
- Mining industry disclosed donations reached over \$1 million for the first time in 2007-08, the first year that carbon pricing policy was taken to an election in Australia
- Mining company donors often make significant political donations in years they pay no company tax
- Donations correlate with the election cycle, timelines on project approvals, and debates on key industry policies such as the mining tax and carbon price

This influence is just the tip of the iceberg. Significant sources of political donations are hidden from public view, for example donations under \$13,000, donations given through party fundraising events, and some donations hidden through associated entities. Mining companies have a much larger political expenditure budget, including spending on lobbying, advertising and entertaining political representatives. And political donations and expenditure are indicative of much broader political influence

¹ Edwards (2016), *submission to the Inquiry into and report on all aspects of the conduct of the 2016 Federal Election*, Submission 91, http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Electoral_Matters/2016Election/Submissions

through other means, as demonstrated by the corruption of the mining licence process in NSW revealed by the NSW ICAC.

To reveal the full extent of mining industry political influence, exerted through political spending and other means, the Australia Institute recommends:

1. Improved disclosure and regulation of political donations and expenditure; and
2. The establishment of a federal ICAC, with public hearings to publicly investigate and expose corruption in federal politics and the public service

Introduction

Australia has weak regulations around political donations disclosure and opaque presentation of the data by our electoral commissions. The Australian Electoral Commission (AEC) requires only donations to political parties over the threshold of \$13,000 to be publicly disclosed, which it publishes annually in pdf or excel formats that are difficult to understand.

The AEC was established in 1984 under the Hawke Government, and set donation disclosure thresholds at \$1,500. This was increased by the Howard Government in 2006 to \$10,000, indexed to inflation. Labor governments attempted to lower this disclosure threshold to \$1,000 in 2008 and 2010.² The 2008 attempt was referred to committee, deferred and then lapsed. The 2010 attempt passed the House of Representatives but was held up in the Senate, eventually lapsing at the end of the 43rd Parliament.³ Both attempts were opposed by the Coalition, and some commentators have also cited opposition from the Labor Right.⁴

New South Wales and Queensland governments have introduced their own lower thresholds, which means that state political parties are required to report to the state electoral commissions any donations over \$1000. Other states have no lower thresholds, meaning that the lax federal disclosure laws also impact on the transparency of state political parties and elections.

Hiding political donations is not difficult, for example by donating multiple times below the \$13,000 threshold. Scrutiny can further be avoided by donating through associated entities, or by payments to attend a party fundraising events. Examples of the use of associated entities to hide donations were uncovered by NSW ICAC during the Operation Spicer investigation.

² Holmes (2012) *Electoral and political financing: the Commonwealth regime and its reforms*, http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BN/2011-2012/ElectoralFinancing

³ Parliament of Australia (2010) *Commonwealth Electoral Amendment (Political Donations and Other Measures) Bill 2010* http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r4477

⁴ Millar (2015) *Timeline of Australian political funding reform failure*, <http://www.smh.com.au/federal-politics/political-news/michaels-test-story-20150617-ghq6ha>

Despite these shortcomings, some insight can be gained as to the scale of mining and fossil fuel industry influence in this area. The available data indicates a dramatic increase in disclosed political donations from the sector over the last ten years.

This report looks at total political donations reported to the AEC from the mining industry over the last ten years, including disclosed donations over \$13,000 to state and federal parties. Many donations go unreported, or are hidden in the poor quality of disclosure data.⁵ The report provides some analysis of disclosed donations based on the top donating companies, the receiving political parties and their policy platforms, and the scale of mining industry donations compared to other political donors.

Political donations disclosure returns from 2006-07 to 2015-16, available on the Australian Electoral Commission periodic disclosures website, were collated and analysed. Donors were sorted by sector, with companies and well known executives involved in mining and petroleum production or exploration separated and analysed.

Disclosed political donations from the mining industry to major parties totalled \$16.6 million, with \$13.5 million going to the LNP Coalition and \$3 million to the ALP, and increased levels of donations in years surrounding elections and important tax debates.

The political donations disclosed to the Australian Electoral Commission are just a fraction of the total political donations made by the industry, and political donations are just a fraction of the total political expenditure spent by the mining industry to influence the policy making process. The influence of mining companies, particularly in terms of expenditure, is further obscured through the use of industry bodies, including the Minerals Council of Australia and APPEA, to coordinate lobbying, donations and political expenditure.

The report does not include:

- Mining industry donations made through associated entities
- Donations of \$1,000 or over declared to the NSW and QLD electoral commissions, as this data is only available in the two states with lower thresholds and would also create duplicates in the data
- Other forms of political expenditure used by the mining industry to exert influence, including spending on lobbying, advertising and entertaining (not in the public domain). Individual mining companies do not report their political

⁵ Edwards (2016), *submission to the Inquiry into and report on all aspects of the conduct of the 2016 Federal Election*, Submission 91, http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Electoral_Matters/2016Election/Submissions

expenditure to AEC, however the Minerals Council of Australia disclosure is indicative of larger industry political spend

- Donations from Clive Palmer to the Palmer United Party were excluded and analysed separately, to avoid distortions in the data (see Section 2)

Improved regulation and disclosure of political donations and expenditure would allow for more detailed analysis.

The impact of the political donations in this report could be further understood when seen alongside the access to policy decision makers given to the mining industry, as well as the public and private campaigning undertaken by the industry to further its interests. A federal ICAC with public hearings is needed to investigate and expose the full extent of industry undue influence on public policy making.

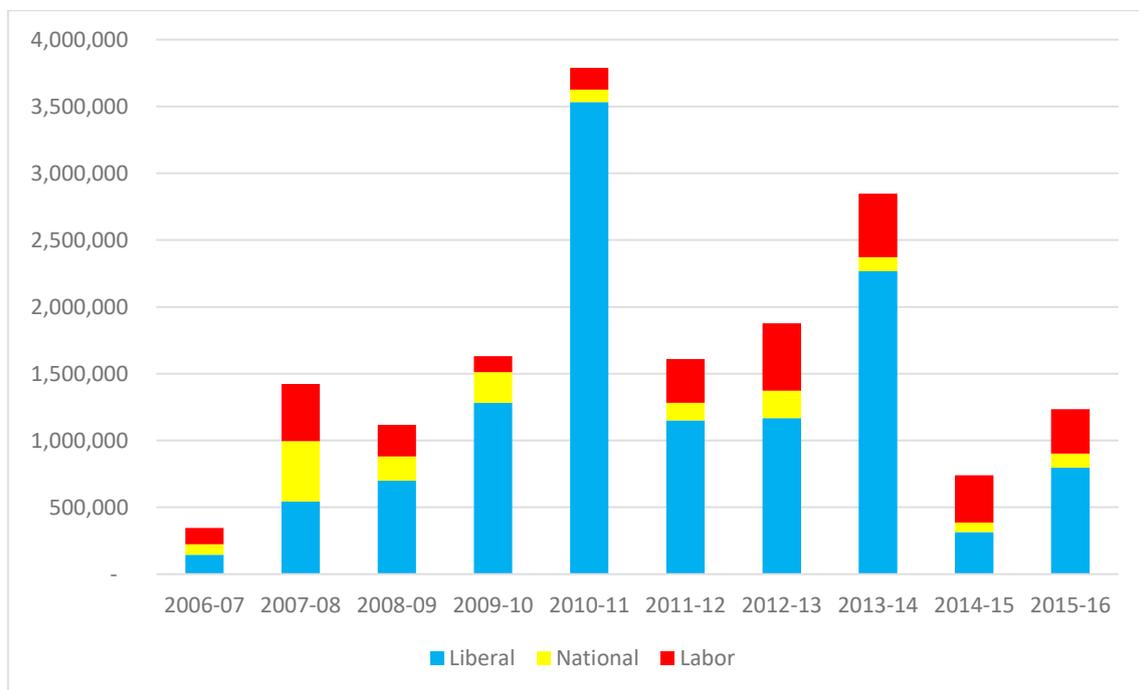
“The MCA was at the forefront of the debates over the carbon and mining taxes; and their abolition (expected after July 2014) will be in no small part due to the council’s determined advocacy on both issues.”⁶ – Minerals Council of Australia 2013 Annual Report

⁶ http://www.minerals.org.au/news/2013_annual_report_minerals_council_of_australia

Disclosed mining industry political donations to the major parties

Over the past ten years the mining industry has spent millions of dollars on political donations. From 2006 to 2016, AEC records show the industry reports giving \$16.6 million to the major parties, with 81% of this going to the LNP Coalition, including 71% to the Liberal Party of Australia, see Figure 1 below.

Figure 1: Disclosed donations to major parties from resource sector 2006-2016



Source: AEC Annual Returns <http://periodicdisclosures.aec.gov.au/>

At the beginning of decade disclosed political donations from the mining industry were \$345,000. This increased dramatically to reach above \$1 million for the first time in 2007-08, at \$1,422,500. At the start of the decade disclosed political donations from the mining industry were fairly even across the parties, until 2008-09 when political donations to the Liberal Party shot up to \$700,180. Donations to the major parties peaked in 2010-11 at \$3,787,584 and again in 2013-14 at \$2,847,680. Over the decade, 71% of disclosed mining industry donations were given to the Liberal Party, and 81% to the coalition of the Liberals and Nationals.

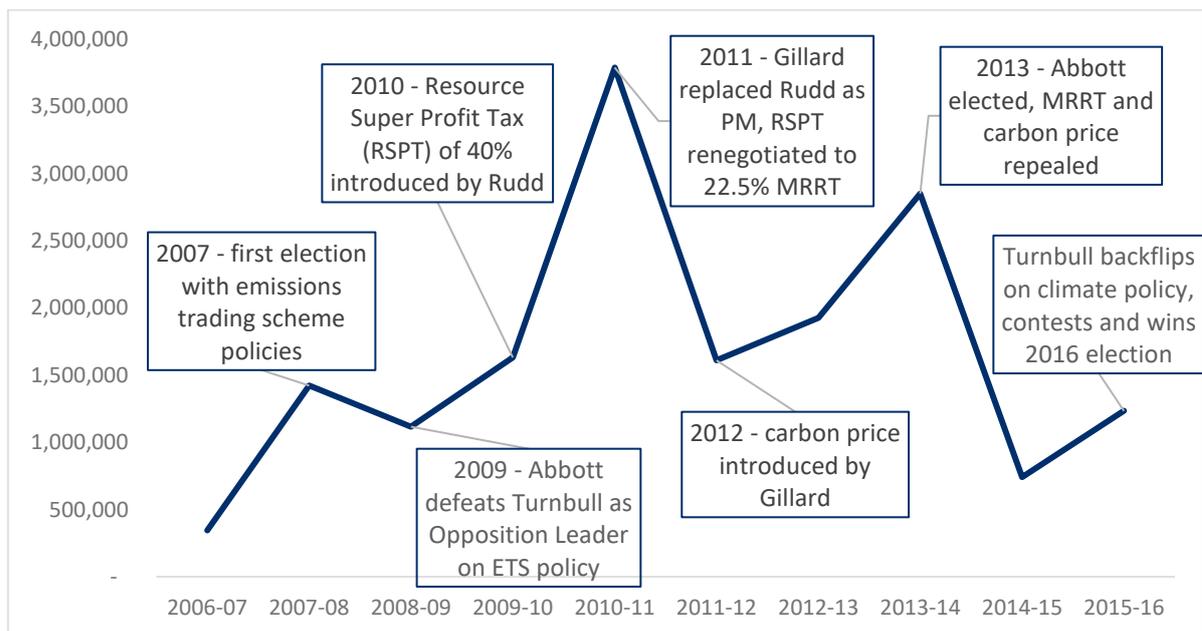
As shown in Figure 2, political donations spiked in 2007, 2010, 2013 and 2016 following the election cycle. Donations from the mining industry increased dramatically in the

2010-11 returns surrounding the 2010 federal election and mining tax debate, and again in the 2013-14 returns corresponding with the 2013 federal election, where the carbon tax featured prominently in the campaign. The 2016 election saw disclosed donations peak at \$1.2 million.

Note that this data is only from donations reported to the AEC, and does not include donations disclosed separately to the QLD and NSW state electoral commissions, which would bring this total figure up significantly. It also does not include all donations from the mining industry made through associated entities, or donations below the \$13,000 disclosure threshold.

Disclosed mining industry political donations reached their highest point in 2011 surrounding the mining tax debate, peaking in 2010-11. Kevin Rudd introduced the bill in 2010 at a 40% tax rate, and the mining industry launched a major campaign against it. This peak and related political events are shown in Figure 2 below:

Figure 2: Total disclosed mining industry donations and selected political events



Source: AEC Annual Returns <http://periodicdisclosures.aec.gov.au/>

Figure 2 shows that the second largest year of political donations from the mining industry was in 2013-14, another election year where the mining tax and carbon price featured strongly. Disclosed donations peaked increased again in 2015-16 coinciding with the 2016 election, but to a far lesser degree than the elections with a strong focus on mining taxation and carbon pricing.

Disclosed mining industry political donations to the minor parties

The above figures, and the figures in the next section on donating companies, exclude donations from mining companies and executives to the Palmer United Party (PUP), as the scale of industry donations to PUP would have distorted the data. As seen in Table 1 below, PUP accepted over \$33 million from the industry in just two years.

Table 1: Donations from mining companies and executives to Palmer United Party

Donor	2013-14	2014-15	Total
Queensland Nickel	\$15,216,400	\$5,991,381	\$21,207,781
Mineralogy	\$8,238,689	\$3,628,346	\$11,867,035
Mr Clive Frederick Palmer	\$101,833	\$2,000	\$103,833
Total	\$23,556,922	\$9,621,727	\$33,178,649

Source: AEC Annual Returns <http://periodicdisclosures.aec.gov.au/>

The analysis in Section 1 also excludes donations to the minor parties, shown below in Table 2 below.

Table 2: Donations from mining companies to the minor parties

Receiving party	2010-11	2011-12	2012-13	2013-14
Independents/other		\$660	\$50,000	\$3,300
Greens	\$1,320			

Source: AEC Annual Returns <http://periodicdisclosures.aec.gov.au/>

Section 3: Donating companies

Table 3: Top 20 major party disclosed political donors from the mining industry

Rank	Company	Total amount	Years donated	Paid company tax?
1	Mineralogy	\$3,055,600	2005-06, 2006-07, 2007-08, 2008-09, 2010-11, 2011-12	No 2013-14 Not reported 2014-15
2	Woodside Energy	\$1,400,762	2008-09, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16	Yes 2014-15 Yes 2013-14
3	Brickworks	\$1,273,080	2007-08, 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14	Yes 2014-15 No 2013-14
4	Santos	\$1,149,059	2005-06, 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16	No 2014-15 Yes 2013-14
5	Washington H Soul Pattinson	\$996,900	2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14	No 2014-15 No 2013-14
6	Wesfarmers	\$673,000	2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2015-16	Yes 2014-15 Yes 2013-14
7	Origin Energy	\$642,152	2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16	No 2014-15 Yes 2013-14
8	Chevron	\$612,993	2010-11, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16	No 2014-15 No 2013-14
9	Minara Resources	\$504,500	2010-11, 2012-13, 2013-14	Not reported
10	Nimrod Resources	\$500,000	2013-14	Not reported
11	Queensland Nickel	\$500,000	2010-11	Not reported
12	Panoramic Resources	\$407,209	2009-10, 2010-11, 2011-12, 2012-13, 2014-15	No 2014-15 No 2013-14
13	AGL	\$405,343	2007-08, 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15	Yes 2014-15 Yes 2013-14
14	Linc Energy	\$323,699	2010-11, 2011-12, 2013-14	Not reported
15	Beach Energy	\$281,300	2010-11, 2012-13, 2013-14	Yes 2014-15 Yes 2013-14
16	Hancock Prospecting	\$284,430	2011-12, 2012-13, 2013-14, 2014-15, 2015-16	Yes 2014-15 Yes 2013-14
17	NSW Minerals Council	\$218,540	2008-09, 2010-11, 2011-12, 2012-13, 2013-14	Not reported
18	Independence Group	\$210,999	2010-11	Yes 2014-15 Yes 2013-14
19	Sandfire Resources	\$195,000	2010-11, 2011-12, 2012-13	Yes 2014-15 No 2013-14
20	Felix Resources	\$157,500	2007-08, 2008-09	Not reported

Sources: ATO Corporate Tax Transparency <http://data.gov.au/dataset/corporate-transparency>, AEC Annual Returns <http://periodicdisclosures.aec.gov.au/>

Top 5 Donor Profiles

Mineralogy

Mineralogy donated over \$3 million to the major parties from 2005-2012. Its biggest donations were \$420,000 in 2008-2009, \$755,000 in 2009-10, and \$459,900, all to the Liberal Party, before owner Clive Palmer established the Palmer United Party. It was also during this period that the company was applying for the environmental approval of its China First mine in the Galilee Basin.⁷

Despite being the number one mining company donor to major parties over the last decade, Mineralogy paid no company tax in the period it was making the majority of its political donations. Mineralogy and its subsidiaries reported net losses of \$58.5 million in 2008-09, \$29 million in 2009-10 and \$11.4 million in 2010-11,⁸ yet made political donations of \$605,000 in 2008-09, \$956,000 in 2009-10, and \$459,900 in 2010-11.⁹

Woodside

Woodside disclosed political donations of \$12,375 in 2008-09 and \$16,500 in 2010-11. It ramped up significantly from 2011-12, giving over \$100,000 to both the Liberals and the ALP annually since then. During this period Woodside sought federal environmental approval for its controversial Browse LNG at James Price Point, which it subsequently dumped in 2013.¹⁰ Its largest single donation was \$181,150 to the Liberal Party in the lead up to the 2013 election. In 2015-16 Woodside donated \$250,480 to the major parties, as it urges against changes to the oil and gas tax regime.¹¹

⁷ Lauder (2013), *Waratah Coal welcomes Galilee Basin mine approval despite environmental conditions*, <http://www.abc.net.au/news/2013-12-21/waratah-coal-welcomes-approval-of-galilee-basin-mine/5170912>

⁸ Manning (2012), *Magnates company paid no tax*, <http://www.brisbanetimes.com.au/business/magnates-company-paid-no-tax-20120411-1wsl2.html>

⁹ AEC Periodic Disclosures <http://periodicdisclosures.aec.gov.au/Party.aspx>

¹⁰ Chambers (2013), *High costs kill off Woodside's \$50bn Browse LNG plant*, <http://www.theaustralian.com.au/national-affairs/high-costs-kill-off-woodsides-50bn-browse-lng-plant/story-fn59niix-1226619543660>

¹¹ Garvey (2017), *Don't tinker with tax, warns Woodside chief*, <http://www.theaustralian.com.au/business/mining-energy/dont-tinker-with-tax-warns-woodside-chief/news-story/3453d55f00b3a333c32027fbef29598d>

Brickworks

Washington H Soul Pattison, parent company of the New Acland mine expansion, has a 44% share in Brickworks. Brickworks donated \$1.27 million over the decade in political donations, with the highest being \$434,000 donated to the Liberals in 2010-11. Brickworks campaigned strongly against the carbon price from 2011-2014,¹² including hosting visits from Tony Abbott during his 2011 anti-carbon price campaign. NSW Independent Commission Against Corruption has revealed that Tony Abbott's Chief of Staff took advice on carbon price related questions to ask during parliamentary question time from Brickworks managing director.¹³ Brickworks has been linked to other political donations scandals revealed through ICAC, including that it directed funds to the Liberal Party through the New Enterprise Foundation in order to avoid scrutiny: *'the least attention attracting method of donation [to the Federal Liberal Party] is through the Free Enterprise Foundation'*.¹⁴ Brickworks paid no company tax in 2013-14.¹⁵

Santos

Santos disclosed donations of over \$1 million from 2005-2016. Its largest donation was \$227,880 to the Liberal Party in 2010-11, the same year as Santos joined the mining industry campaign against the mining tax.¹⁶ During this period Santos also acquired the controversial Narrabri gas project in the Pilliga¹⁷, and received approval for its massive Gladstone LNG project¹⁸. Santos' next largest donation was \$152,375 in 2013-14, again to the Liberals in an election year where the Liberals campaigned strongly

¹² See for example Wenn (2011), *Carbon tax will hurt housing affordability: Brickworks*, <http://www.smh.com.au/business/carbon-tax-will-hurt-housing-affordability-brickworks-20110324-1c7md.html>

¹³ McClymont et al (2014), *Peta Credlin emails to Liberal Party donor reveals 'cash for questions' link*, <http://www.smh.com.au/federal-politics/political-news/peta-credlin-emails-to-liberal-party-donor-reveals-cash-for-questions-link-20140908-10e53p.html>

¹⁴ See NSW ICAC Operation Spicer Exhibit Z83, Page 124, and NSW ICAC Operation Spicer Exhibit Z86

¹⁵ ATO (2014), *Corporate tax transparency report for the 2013-14 income year*, <https://www.ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Corporate-tax-transparency-report-for-the-2013-14-income-year/>

¹⁶ Fraser (2010), *Santos joins big mining's tax revolt*, <http://www.theaustralian.com.au/business/mining-energy/santos-joins-big-minings-tax-revolt/story-e6frg9df-1225863328166>

¹⁷ See Wilderness Society media release 19th July 2011, <https://www.wilderness.org.au/pilliga-coal-seam-gas-developments-breach-federal-environmental-law-report>, and Santos media release 18th July 2011, <https://www.santos.com/media-centre/announcements/santos-to-acquire-100-of-eastern-star-gas/>

¹⁸ Santos media release 22nd Oct 2010, *GLNG wins federal environmental approval*, <https://www.santos.com/media-centre/announcements/glng-wins-federal-environmental-approval/>

against the mining and carbon taxes. Santos paid no company tax in 2014-15, but disclosed political donations of \$168,742 that year.¹⁹

Washington H Soul Pattinson

Washington H Soul Pattinson is the parent company of New Hope Corporation, a coal company operating and attempting to expand the controversial New Acland mine in Queensland's Darling Downs.²⁰ Beginning in 2010-11, Washington has donated \$250,000 to the Liberal Party each year to 13-14, apart from 2011-12 when it donated \$200,000. Through New Hope Corporation, it has been seeking federal approval for the expansion of the New Acland mine since 2007.²¹ Washington H Soul Pattinson paid no company tax in 2013-14 or 2014-15.^{22 23}

¹⁹ ATO (2015), *2014-15 Report of Entity Tax Information*, <http://data.gov.au/dataset/corporate-transparency/resource/1e8c8ae0-81d1-4780-a669-9e4a2a6ba1a4>

²⁰ Washington H Soul Pattinson, *Current operations*, <http://www.whsp.com.au/current-operations/>

²¹ Kerr (2016), *Federal regulators delay decision over New Hope's Acland coal expansion*, <http://www.afr.com/business/mining/federal-regulators-delay-decision-over-new-hopes-acland-coal-expansion-20161017-gs457k>

²² ATO (2014), *Corporate tax transparency report for the 2013-14 income year*, <https://www.ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Corporate-tax-transparency-report-for-the-2013-14-income-year/>

²³ ATO (2015), *2014-15 Report of Entity Tax Information*, <http://data.gov.au/dataset/corporate-transparency/resource/1e8c8ae0-81d1-4780-a669-9e4a2a6ba1a4>

Conclusion and recommendations

This report shows that the mining industry spends millions of dollars on political donations, and can scale up their donations at important times as they did in 2010-11. The timing, scale and political leanings of these donations can be linked with election campaigns, leadership changes and important debates on policies such as the mining tax and carbon price.

The donations outlined in this report are just the tip of the iceberg. Significant sources of political donations are hidden from public view, for example donations under \$13,000, donations given through attendance at party fundraising events, and some donations hidden through associated entities. In addition, political donations are just part of the much larger political expenditure budget that the mining industry uses to exert influence, including spending on lobbying, advertising and entertaining political representatives. Full mining industry political expenditure is not covered by this report in part because this information is not in the public domain, with only political expenditure from some industry representative bodies, and not individual companies themselves, being reported to the AEC. Improved disclosure and regulation of political donations and expenditure is needed to understand the scale of mining industry influence exerted through political spending.

Political donations are also an indicator of a broader industry strategy of political influence. With the majority of political donations and political expenditure hidden, and industry influence likely extending into the realm of personal and financial relationships, the public currently has little knowledge of how this industry is influencing our policy decisions. The implications of this influence was demonstrated in NSW by anti-corruption investigations called Operation Jasper and Operation Acacia. The NSW anti-corruption commission (NSW ICAC) found that a complex web of personal relationships, favours, and mutual financial interests resulted in the issuing of mining licences without any proper process. A federal ICAC is needed to reveal the extent of mining industry influence at a federal level, beyond political donations and expenditure.

The Australia Institute recommends:

1. Improved disclosure and regulation of political donations and expenditure; and
2. The establishment of a federal ICAC, with public hearings to publicly investigate and expose corruption in federal politics and the public service