

A few loud voices

The concentration of Commonwealth political donations

Briefing paper

January 2023

Executive Summary

Australian political parties rely considerably on private donations, both to fund their routine activities and to meet the rising cost of electioneering. But not all donations are made equal: some individual donations are just a few gold coins, whereas some large institutional donations extend well into the millions. While the former are a sign of healthy democratic engagement, the latter may expose our elected officials to the undue and disproportionate influence of a few loud voices, and thus threaten the integrity and quality of governmental decision-making.

Using a unique dataset, this research tracks the concentration of Commonwealth political donations from 1998-99 to 2020-21.¹ It finds that, particularly in election years, our political parties are persistently funded by a select few – with the top 5 per cent of donors contributing *over 76 per cent* of all total disclosed political donations over the period. This inordinate concentration is relatively stable over time, and major party indiscriminate. It undermines Australia's commitment to political equality and threatens the impartiality and quality of Australian governance. Luckily, this result is not inevitable. To remedy the Commonwealth's broken donations scheme in the interests of transparency, political equality and good governance, the Centre for Public Integrity recommends:

1. A reduction in the donation disclosure threshold to \$1000 (indexed annually) for individual donations, and aggregated donations of \$3000 (indexed annually) over three years to political parties, candidates, associated entities and third parties requiring disclosure;
2. 'Real time' disclosure of donations within 7 days, or 24 hours in election periods;

¹ This data represents all party-reported political donations over the disclosure threshold in the *Electoral Act 1918* (Cth) pt XX. This data has been collated by the University of Melbourne's *Dollars and Democracy* project: see <<https://law.unimelb.edu.au/centres/celrl/research/past-research-projects/dollars-and-democracy-the-dynamics-of-australian-political-finance-and-its-regulation>>. All monetary figures reported are in constant inflation-adjusted 2020-21 dollars.

3. An expansion of the definition of 'donation' to include income from party fundraisers, corporate sponsorship of business forums, membership fees over \$2,000 per year and any gift spent on electoral expenditure; and
4. The implementation of donation caps set at \$2,000 per year for candidates and \$5,000 per year for parties.

Introduction

It is well established that donations to political parties pose a corruption risk.² While small donations from individuals are often a symptom of an engaged polity and hence a healthy democracy,³ large donations from monied interests pose a unique threat to the democratic fabric. These donations are apt to give a select few 'privileged access to decision makers within a party',⁴ fundamentally undermining the Australian constitutional value of political equality.⁵ Unlike many of the states and territories, this corruption risk is amplified at the Commonwealth level due to the lack of any cap on donations, slack disclosure requirements and a meagre public funding system.

It is unlikely that most of these donations are altruistic. As one commentator notes: 'Corporations don't give their money away for nothing ... Why else would a corporation, which is bound by law to pursue profits, make these donations?'. The High Court has noted that wealthy donors may seek 'quid pro quo' favours with elected officials,⁶ or even seek to make the party so dependent on their patronage that they have no choice but to support their donors.⁷ Such donations can also 'give rise to a particularly corrosive type of corruption resulting in a loss of confidence that government decisions are being made in the public interest', as was recently noted by the Victorian Broad-based Anti-corruption Commission.⁸ Large political donations expose our elected officials to the undue and disproportionate influence of a few loud voices, and thus threaten the integrity and quality of governmental decision-making.

² Select Committee into the Political Influence of Donations, Parliament of Australia, *Political Influence of Donations* (Final Report, June 2018) ch 3.

³ Jennifer Rubenstein, 'Small Money Donating as Democratic Politics' (2022) 20(3) *Perspectives on Politics* 965.

⁴ Independent Broad-based Anti-corruption Commission, *Special report on corruption risks associated with donations and lobbying* (Report, October 2022) 6.

⁵ *McCloy v New South Wales* [2015] HCA 34, [45] (French CJ, Kiefel, Bell and Keane JJ).

⁶ *McCloy* (n 4) [36]-[41] (French CJ, Kiefel, Bell and Keane JJ).

⁷ *Ibid* [36].

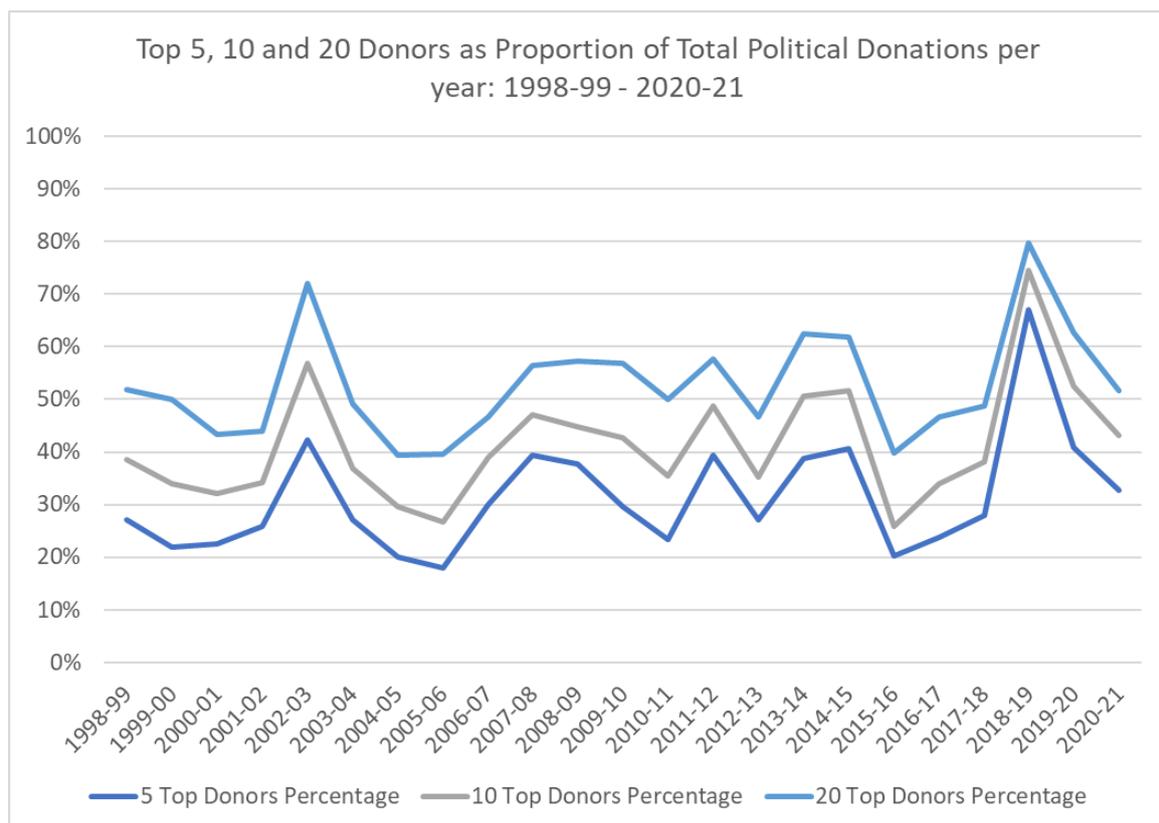
⁸ Independent Broad-based Anti-corruption Commission, *Special report on corruption risks associated with donations and lobbying* (Report, October 2022) 14.

Donation concentration in Australia

As detailed below, the concentration of Australian donations clearly shows that a small number of donations, and therefore donors, are providing a disproportionate volume of income to political actors in Australia. Such behaviour risks Australian political parties, and therefore our elected representatives, being amenable to the wishes of a well-resourced few.

Absolute donation concentration

Absolute donor concentration refers to the proportion of total donations a given *number* of donations constitute.⁹ Per year, on average, between 1998-99 and 2020-21, the top 5 donors to Australian political parties contributed 31.5 per cent of total donations, the top 10 contributed 41.4 per cent, and the top 20 donors contributed 52.8 per cent. These figures are amplified in election years in which, on average, the top 5 donors contributed 33.2 per cent, the top 10 contributed 43 per cent, and the top 20 donors contributed 53.8 per cent. Figure 1 details the absolute concentration over time, and Figure 2 details the averages per year over the period.



⁹ This data represents all party-reported political donations over the disclosure threshold established by the *Commonwealth Electoral Act 1918* (Cth) Pt XX. This data has been collated by the University of Melbourne's *Dollars and Democracy* project: see < <https://law.unimelb.edu.au/centres/celr/research/past-research-projects/dollars-and-democracy-the-dynamics-of-australian-political-finance-and-its-regulation>>. All monetary figures reported are in constant inflation-adjusted 2020-21 dollars.

Figure 1: Top 5, 10 and 20 Donors as Proportion of Total Political Donations per year: 1998-99 – 2020-21

Number of Donors	All Years Average	Election Years Average	Non-Election Years Average	Election / Non-Election Difference
Top 5	31.4%	33.2%	30.5%	+2.6%
Top 10	41.4%	43%	40.6%	+2.4%
Top 20	52.8%	53.8%	52.3%	+1.5%

Figure 2: Top 5, 10 and 20 Donations as Proportion of Total Political Donations: 1998-99 – 2020-21. Averages for all years, election years, and non-election years.

The greatest average difference (2.6%) between election years and non-election years is for the top 5 donations. This is consistent with the fact that the average median donation is relatively constant between election and non-election years, whereas the average mean donation varies wildly between election years and non-election years. These jointly suggest that it is the variance in very large donations of over \$85,000 contributing to the change between election and non-election years.

Measure	All Years Average	Election Years Average	Non-Election Years Average	Election / Non-Election Difference
Mean	\$123,877	\$154,548	\$107,519	+43.7%
Median	\$30,986	\$32,522	\$30,167	+7.8%

Figure 3: Mean and Median of Political Donations: 1998-99 – 2020-21. Averages for all years, election years, and non-election years.

The above analysis relates to averages *within* given financial years for unique donors in *that year*. When a unique entity's donations for the entire period are aggregated, this can account for 'repeat offending', or donating across many financial years. Of 4916 unique donors between 1998-99 and 2020-21, the top 5 donors made up 24.6 per cent of all donations, the top 10 donors made up 34.7 per cent, and the top 20 made up 44.7 per cent.

Relative donation concentration

To account for the varying number of donations between years,¹⁰ it is also illustrative to analyse the concentration on a *relative basis* – i.e., what percentage of donation volume do the top 5, 10 and 20 per cent of donors make up in any given financial year? On average, per year, between 1998-99 and 2020-21, the top 5 per cent of donations made up 53.4 per cent donations, the top 10 per cent made up 65.4 per cent and the top 20 per cent made up 77 per cent. This figure is again greater in

¹⁰ There is significant variation in the number of donors per financial year. For example, in 2019-20 only 297 unique donors made party-reported donations above the disclosure threshold, whereas this figure was 769 in 2004-05.

election years, with the top 5 per cent making up 57.8 per cent of total donation volume, the top 10 per cent making up 69.1 per cent, and the top 20 per cent making up 79.8 per cent. Figure 4 details the relative concentration over time, and Figure 5 details the average over the period.

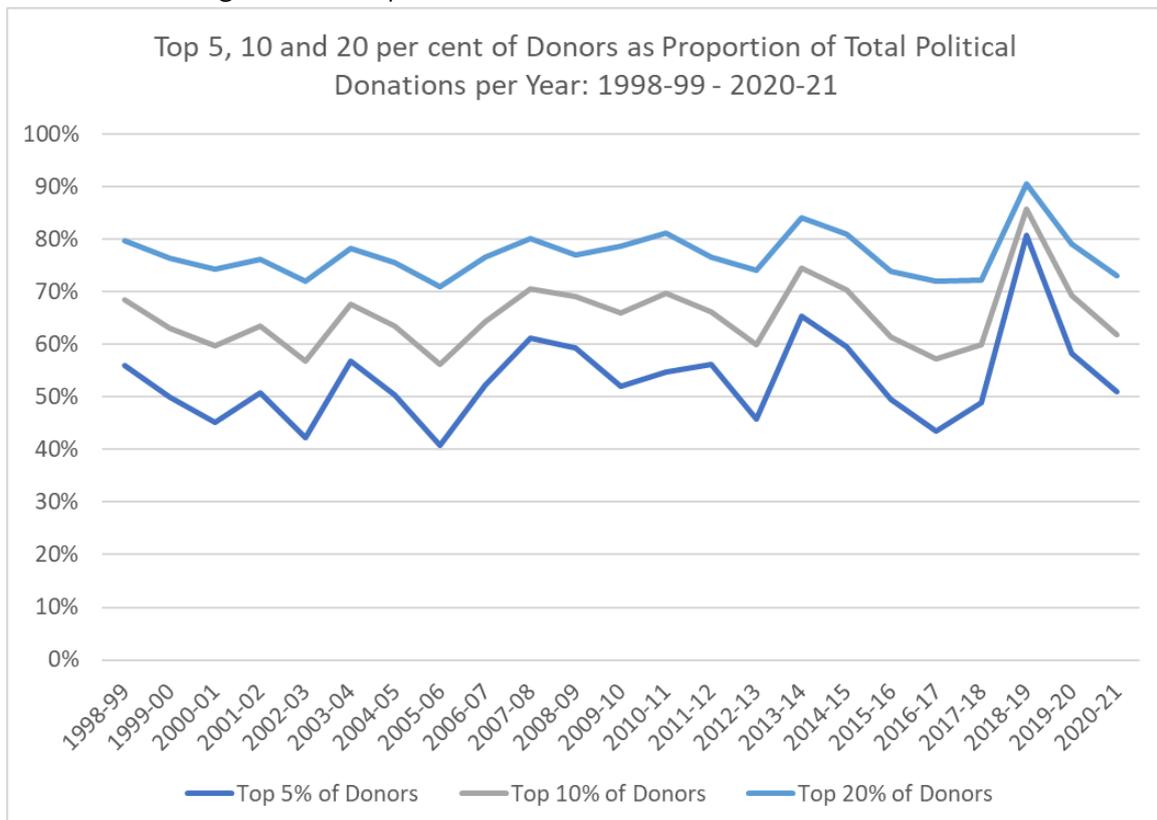


Figure 4: Top 5, 10 and 20 per cent of Donors as Proportion of Total Political Donations per year: 1998-99 – 2020-21

Percentage of Donations	All Years Average	Election Years Average	Non-Election Years Average	Election / Non-Election Difference
Top 5%	53.4%	57.8%	51.2%	+6.6%
Top 10%	65.4%	69.1%	63.4%	+5.7%
Top 20%	77.0%	79.8%	75.6%	+4.2%

Figure 5: Top 5, 10 and 20 per cent of Donations as Proportion of Total Political Donations: 1998-99 – 2020-21. Averages for all years, election years, and non-election years.

This analysis can again be done for repeat offenders, and the results are startling. Aggregating the donations of each donor in each year, finds that the top 5 per cent of unique donors over the entire period contributed *76.4 per cent of all donations*, with the top 10 per cent contributing 83.4 per cent and the top 20 per cent contributing 89.5 per cent.

Therefore, since 1998-99, 5 per cent of donors have contributed *over three quarters of all reported political* donations. It would be naïve to expect that such a concentration had no impact on the decision-making of our elected representatives. While persistent large donations may result in '*implicit bargains of favourable treatment*',¹¹ some donors have been surprisingly open about their quest for privileged access. As the Minerals Council of Australia ('MCA') have explained, they donate in order to 'provide additional opportunities for the MCA to meet with members of [P]arliament'.¹²

Major party donation concentration

Both of Australia's major parties are exposed to the corruptive influence of a significant dependence on a limited number of donors, though the Australian Labor Party's ('ALP') donation profile remains more concentrated.

Percentage of Donations	ALP	Coalition	Difference
Top 5%	78.8%	65.8%	+0.4%
Top 10%	85.4%	75.6%	0.0%
Top 20%	90.7%	84.3%	-0.4%

Figure 6: ALP and Coalition Relative Donation Concentration 1998-99 – 2020-21

Conclusion

While the concentration of donations in given financial years has remained relatively constant since 1998, it remains inordinately high for both sides of politics, and Australians deserve better. When 5 per cent of donors are persistently making up on average *over half* of reported donations in each given year, and *over three quarters* of total reported party income over the period, it is obviously that something needs to change. The current reliance on large donations creates both the risk and the public perception that decisions are not being made in the public interest but are merely being made at the behest of the highest bidder. Following New South Wales, Victoria and Queensland, the Commonwealth should take urgent action to limit the ability of well-resourced entities to bankroll Australian political parties by implementing long awaited donations reforms. Accordingly, the Centre for Public Integrity recommends:

1. A reduction in the donation disclosure threshold to \$1000 (indexed annually) for individual donations, and aggregated donations of \$3000 (indexed

¹¹ Joo-Cheong Tham, Submission No 3 – Attachment 2 to Select Committee into the Political Influence of Donations, Parliament of Australia, *Political Influence of Donations* (June 2018) 15.

¹² Minerals Council of Australia, Additional Information (received 22 November 2017) to Select Committee into the Political Influence of Donations, Parliament of Australia, *Political Influence of Donations* (June 2018) 1.

annually) over three years to political parties, candidates, associated entities and third parties requiring disclosure;

2. 'Real time' disclosure of donations within 7 days, or 24 hours in election periods;
3. An expansion of the definition of 'donation' to include income from party fundraisers, corporate sponsorship of business forums, membership fees over \$2,000 per year and any gift spent on electoral expenditure; and
4. The implementation of donation caps set at \$2,000 per year for candidates and \$5,000 per year for parties.

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 Anthony Whealy KC, the Hon Stephen Charles AO KC, the Hon Pamela Tate KC, Professor George Williams AO, Professor Joo Cheong Tham, Professor Gabrielle Appleby and Geoffrey Watson SC. More information at www.publicintegrity.org.au.