

Price of Power: The Big Business Billions Behind Australia's Corporate Lobby

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Introduction

Influencing government policy is big business and an entire industry of lobbyists, influence-peddlers, and government relations professionals have sprung up to service the market.

Together, they help large corporations exert outsized influence over government decision making – protecting their private interests, often at the expense of the public interest.

And because the corporate membership fees that fund the Big Business lobby are tax deductible, this corporate influence is indirectly subsidised by taxpayers.

This paper investigates the finances of 18 large lobby groups representing corporate interests – including big players like the Business Council of Australia, the Australian Bankers Association, and the Queensland Resources Council.

For the first time, it exposes the true extent of Big Business influence – by revealing the true sums spent building influence in the halls of power.

Methodology

This investigation calculated revenue of 19 corporate lobby groups, using data from accounts either filed with government agencies (such as the Australian Securities and Investments Commission) or released publicly.

Where available, top-line revenue figures were used from the Profit and Loss statement in the accounts. Where these figures weren't available, we used the operating cash-flow figures in the Cash Flow Statement.

Due to differences in the availability and accessibility of data, some groups were analysed over a longer time-frame than others. For example, major resource industry peak bodies were analysed over an 11 year time-frame. The Business Council of Australia was analysed over 10 years. Many others were analysed over a three year period (analogous to a federal election cycle).

There are hundreds of other advocacy groups representing different causes and interests. However, this investigation was focussed on major lobby groups representing the interests of large for-profit corporations.

As well as calculating the revenue of these 18 large corporate lobby groups, this investigation also provides other observations relating to the financial statements of these lobby groups.

It should be emphasised that not all expenditure by these groups is necessarily aimed at influencing government policy. For example, accounting peak bodies likely spend more resources on training and professional development than advocacy, and some bodies have adopted a quasi-regulatory role. However, the core purpose of these organisations remains to represent and advocate for large corporate interests – and therefore they were included in this report.

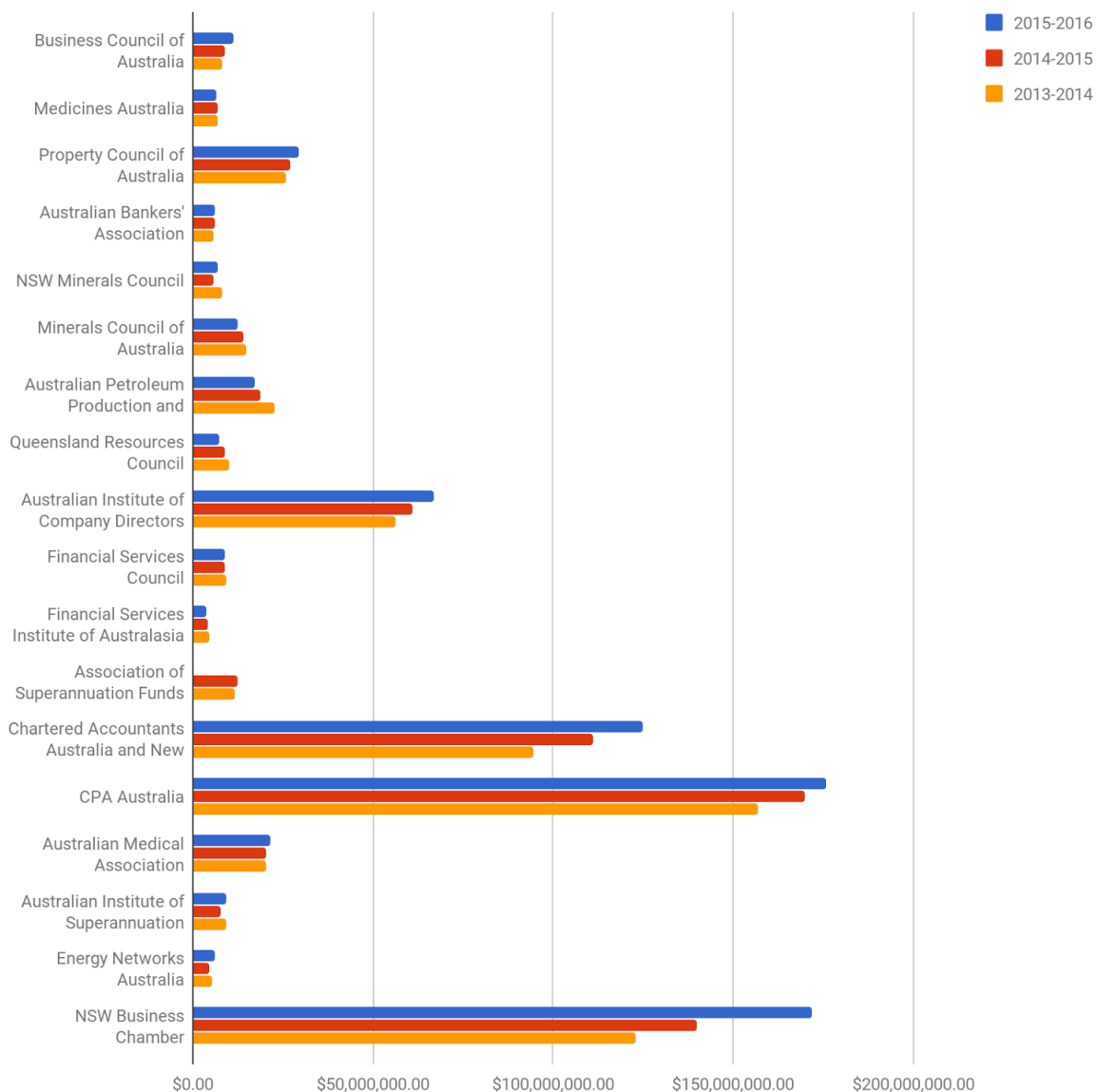
The findings presented in this report represent only a tiny fraction of the total spending by corporate interests influencing government policy. This investigation focussed on a select number of peak bodies, rather than the industry as a whole; and because there is no reliable way to estimate the amount corporations spend on in-house lobbying capacity and external government relations consultants, nor the proportion of corporate marketing expenditure which serves a lobbying function, even the true scale of their lobbying work remains opaque. It is safe to assume that any true approximation of total the spending on influencing government by large corporations would be much larger than the findings presented here.

Note: This report does not include a revenue figure for the Association of Superannuation Funds for the 2015-2016 financial year.

Key findings

The total revenue of the 18 organisations studied for the financial years 2013-2014, 2014-2015 and 2015-2016 (corresponding roughly with the last federal election cycle) was \$1.9155 billion.

Breakdown:



Analysis:

The analysis contained in this report covered the financial statements of 18 business peak bodies over the years. Together, their revenue surpassed \$1.9 billion in the three financial years between 2013-2014 and 2015-2016.

Although some of the organisations contained in this report have activities beyond lobbying, influencing government policy is a core focus of all of them.

The list of 18 organisations in this report is by no means exhaustive. Peak bodies representing corporate interests number in the hundreds. Also, this report did not cover “in-house” spending on lobbying and government relations, or the use of contractors or external consultants to impact policy. It also did not cover spending on marketing and public-relations activities targeted at politicians and government officials.

As such, spending revealed by this report likely represents a tiny fraction of the total sum of spending by corporations seeking to influence government. The real figure, although impossible to determine with any accuracy, is certain to be significantly larger.

Corporate lobby groups are generally funded by membership fees paid by their corporate members. Because Australian corporate tax is paid on profit, and membership fees count as corporate expenditure, these fees are effectively tax deductible for corporations. As such, the expenditure of the corporate lobby is subsidised by taxpayers.

Some corporate lobbies are funded by individual membership, which may also be deductible under personal income tax, as any taxpayer may deduct fees associated to membership of a trade, business or professional association that is directly related to the earning of their assessable income.

Many major corporations have multiple memberships, so multiple peak bodies can undertake lobbying on their behalf. BHP for instance is a member of the Business Council of Australia (BCA), the Minerals Council of Australia (MCA), Australian Petroleum Production and Exploration Association (APPEA), and the Corporate Tax Association (CTA). The big banks also have multiple memberships and directorships of peak bodies such as the Australian Bankers' Association, the Financial Services Council and other financial services peak bodies.

The successful results of specific campaigns are sometimes evident. The MCA for instance, thanks to an aggressive media advertising campaign, managed to oust an elected prime minister, Kevin Rudd, who was trying to impose an increase in mining taxes. It later emerged the corporate cost of deposing a prime minister was \$22 million. This spending is evinced by

the spike in MCA funding during those years when the lobby group fought higher minerals taxes.¹

The nation's premier business peak body, the BCA, successfully - and along with other lobby groups and corporate voices - helped to garner government support for \$50 billion in corporate tax cuts via the government's Enterprise Tax Plan, which would reduce the company tax rate from the present 30 per cent to 25 per cent over ten years.²

Further to this, there is considerable overlap in the activities of many business peak bodies. Most campaign for lower taxes for their members and often lower wages or reduced entitlements for workers.

Case study: the banking sector

Australia's banking sector is one of the most profitable in the world. Unsurprisingly, there are a number of large lobby groups representing the sector. The principal and best known of the lobbies is the Australian Bankers' Association (ABA).

Its biggest members, NAB, CBA, Westpac and ANZ, each contribute \$1.25 million a year of funding, Macquarie Bank pays \$145,000, while fees for smaller members start at \$10,000.

In 2016, the ABA filed financial statements detailing total revenue of \$6.4 million. But internal documents reported in the media³ suggest they have spent \$8.6 million on "special projects" alone in an 8 month period ending in February 2017. Either their financial disclosures don't represent the full extent of their spending, or spending has massively increased in the 2016-2017 financial year. The same news report stated the ABA had allocated an additional \$8-10 million to fight the proposal by the government in South Australia to impose a \$370 million levy on the sector.

According to reports, the ABA fears other states might follow South Australia's lead, and is spending big to campaign against the levy. This pattern matches the sharp uptick in expenditure by the Minerals Council of Australia and other resource lobby groups during the debate over the Resource Super Profits Tax (RSPT).

Furthermore, both major political parties own large share investments in the Big Four Banks. Dividends from these shares are a huge source of income, totalling millions of dollars each year. This arrangement provides a direct financial disincentive for politicians to enact any policy which would impact bank profits and therefore dividends.

¹ The Minerals Council, coal and the half a billion spent by the resources lobby, MichaelWest.com.au, 2 October 2017

² BCA investigation: power of the business lobby in Australia, MichaelWest.com.au, 28 September 2017

³ ABA paid firm \$200k to recruit Anna Bligh, The Australian, 3 August 2017

And what does all this influence achieve? A legal and regulatory framework which allows Australia's largest banks to earn massive, and ever-increasing profits.

The relationship between banks and the government is so cosy that a former lawyer for ASIC told a Senate inquiry in 2015 that a lawyer from NAB on secondment at the regulator helped draft laws which benefited the bank's financial services division.⁴

Beyond the lobby groups such as the organisations covered in this investigation, in-house lobbying departments and external consultants, large corporations frequently make direct donations to political parties.

The industries which donate the most are correlated with the industries which have the highest revenue lobby groups.

According to figures from the Democracy for Sale project, since 1998 these industries have donated:

- Property: \$64,099,161.
- Resources: \$50,824,732.
- Finance and Insurance: \$37,078,539
- Pharmaceutical and Health: \$12,625,078

Furthermore, a significant number of peak body directors are former politicians and political staffers.

Some notable examples include:

- Anna Bligh, formerly Premier of Queensland and now chief executive of the Australian Bankers' Association.
- Ian Macfarlane, Australia's longest serving Federal resources minister, is now CEO of the Queensland Resources Council.
- John Brodgen, former Opposition Leader of NSW, is now CEO of the Australian Institute of Company Directors (AICD)

Given the influence which the corporate lobby exerts over the democratic process, the organisations studied exhibited low levels of financial transparency.

Most peaks do not disclose their financial statements on their websites, and when they do the vast majority only disclose "special purpose" financial reports. Executive pay disclosure and full disclosure of related party transactions are rare.

Most of the statutory filings of peak bodies are only available by purchasing them from the Australian Securities and Investments Commission (ASIC). However, some organisations do

⁴ Watching the watchdog: Secondments spell trouble at ASIC, Sydney Morning Herald, 24 February 2015

not even reach this basic level of transparency. Neither the Corporate Tax Association (which represents mostly multinational companies and notable tax avoiders such as ExxonMobil, Chevron, Google and Glencore) nor the ABA file financial disclosures with ASIC, instead lodging them with various state agencies, which makes oversight of their financial affairs more difficult.

Conclusion

The corporate lobby in Australia is large, well organised, and well-funded, allowing it to deploy considerable resources to benefit the private interests of large corporations by influence government.

The spending revealed by this investigation is vast, yet it almost certainly represents only a small fraction of the total amount corporations invest in purchasing political influence. And this multibillion dollar industry is only getting bigger.

This big-money lobbying has a significant impact on government policy, causing politicians to increasingly prioritise corporate interests ahead of the public interest – the interests of the everyday people the politicians are elected to represent.

Appendix 1: Table of expenditure

Please note that these figures are the figures that were available to compile this investigation. Some of the figures above (including figures older than the 2013-2014 financial year, and all expenditure of the Australian Coal Association, which was wound up in 2013) are not included in the analysis of this report. They are provided for illustrative purposes only.

	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	TOTAL
Business Council of Australia	\$11.4M	\$8.8M	\$8M	\$7.2M	\$7.4M	\$7M	\$6.6M	\$6.6M	\$8.8M	\$5.6M		\$77.4M
Medicines Australia	\$6.5M	\$6.8M	\$7M	\$7.2M	\$6.2M	\$6.7M	\$6.6M	\$8M	\$8M	\$6.2M		\$69.2M
Property Council of Australia	\$29.3M	\$27.2M	\$25.7M	\$24.7M	\$24.7M	\$25.3M						\$156.9M
Australian Bankers' Association	\$6.1M	\$6.1M	\$5.6M	\$5.4M	\$5.2M	\$5.1M	\$4.7M	\$6.8M	\$8.3M	\$4.6M	\$4.9M	\$62.8M
Australian Coal Association				\$5.8M	\$11.2M	\$4.8M	\$5.9M	\$3.1M	\$2.6M	\$3.2M	\$2M	\$38.6M
NSW Minerals Council	\$7M	\$5.7M	\$8.2M	\$9.4M	\$11.8M	\$8.5M	\$7M	\$6.8M	\$6.2M	\$5.9M	\$4.2M	\$80.7M
Minerals Council of Australia	\$12.5M	\$14.1M	\$14.9M	\$21.2M	\$37.2M	\$32.4M	\$34.9M	\$10.6M	\$12M	\$13.3M	\$12M	\$215.1M
Australian Petroleum Production and Exploration Association	\$17.2M	\$18.6M	\$22.8M	\$19.4M	\$19.2M	\$10.6M	\$9.1M	\$8.2M	\$8M	\$5.4M	\$4.5M	\$143M
Queensland Resources Council	\$7.3M	\$8.7M	\$10M	\$13.6M	\$10.8M	\$8.5M	\$6.8M	\$7.7M	\$6M	\$4.9M	\$3.9M	\$88.2M
Australian Institute of Company Directors	\$67M	\$60.8M	\$56.4M									\$184.2M
Financial Services Council	\$8.8M	\$8.9M	\$9.1M									\$26.8M
Financial Services Institute of Australasia	\$3.7M	\$4.1M	\$4.5M									\$12.3M
Association of Superannuation Funds Australia		\$12.5M	\$11.8M	\$10.7M								\$35M
Chartered Accountants Australia and New Zealand	\$125M	\$111M	\$94.6M									\$330.6M
CPA Australia	\$175.7M	\$170M	\$157M									\$502.7M
Australian Medical Association	\$21.6M	\$20.2M	\$20.3M									\$62.1M
Australian Institute of Superannuation Trustees	\$9.2M	\$7.6M	\$9.4M									\$26.2M
Energy Networks Australia	\$6M	\$4.6M	\$5.5M									\$16.1M
NSW Business Chamber	\$172M	\$140M	\$122.7M									\$434.7M
TOTAL	\$686.3M	\$635.7M	\$593.5M	\$124.6M	\$133.7M	\$108.9M	\$81.6M	\$57.8M	\$59.9M	\$49.1M	\$31.5M	\$2,562.6M