

**Submission
No 4**

INQUIRY INTO ELECTORAL AND POLITICAL PARTY FUNDING

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Date received: 24/01/2008

Inquiry into Electoral and Political Party Funding.

Submission by James D. McCredie.

It is proposed that the NSW Electoral Commission, in addition to other more direct information gathering and reporting schemes, arrange for slight amendments to Federal legislation to permit the NSW Commission to subcontract to the federal body AUSTRAC the task of collecting, correlating, analysing, and generating reports on financial transactions of political parties, supporters, associated foundations, charities, companies and individuals, of all amounts of \$1,000 or more.

AUSTRAC already collects reports on all transactions over \$10,000. It has massive computing capability to correlate related transactions. It operates with formal treaty relationships with the “anti money laundering” intelligence services of most other nations. It could for example, track multi-national transaction trails, and identify international sources or recipients of suspicious transactions.

AUSTRAC would be able to correlate this information with financial transaction data it already collects, and should be able to highlight instances where donations are temporally related to transactions associated with Government expenditure and underlying transaction infrastructure that could suggest bribes or commissions are intended. Note that the present federal Crimes Act provisions, on submitting reports to AUSTRAC, makes failure to report even a “suspicion” of some types of transactions a criminal offence, punishable by up to three years imprisonment.

All financial bodies reporting to AUSTRAC are required to “know their customers”, by carrying out identity checks. Political parties could similarly be required to identify the ultimate sources of any funds to which they are permitted access.

The US Secretary of the Senate Office of Public Records has an “honour system” of lobbyist disclosure reporting that is absolutely inappropriate to the real world of politics, and that legal compulsion with severe penalties is appropriate: this reflects the naivety of US politics, where election voting is optional, and great wealth is expended to achieve voter “turnout”, compared to the superior Australian compulsory universal suffrage under threat of fines for non-attendance at the poll.

However, the statistical summarisation of output provides guidelines as to what is possible and useful to inform the public.

It is proposed that the data collected by AUSTRAC be summarised and independently released by them to the public on the internet using methods closely adapted from the US Congressional lobbying database

Information on the US Congressional lobbying data base, methodology, and public access to the data.

"Methodology

The lobbying data that form the basis of this site are compiled using the semi-annual lobbying disclosure reports filed with the Secretary of the Senate's Office of Public Records (SOPR) and posted to their Web site. The reports analyzed here cover lobbying activity that took place from 1998 through 2006 and will be updated periodically with newly filed reports. Year-end reports for 2006 were due on February 14, 2007, and will be incorporated into OpenSecrets.org in the upcoming weeks as they are entered into the SOPR Web site. Previously posted data are subject to change as new amendments are filed.

Lobbying firms are required to provide a good-faith estimate rounded to the nearest \$20,000 of all lobbying-related income in each six-month period. (Lobbying firms sometimes double as law, accounting, or public relations firms - the income for non-lobbying activity is supposed to be excluded from the lobbying reports). Likewise, organizations that hire lobbyists must provide good-faith estimates rounded to the nearest \$20,000 of all lobbying-related expenditures in a six-month period. An organization that spends less than \$10,000 in any six-month period does not have to state its expenditures. In those cases, the Center treats the figure as zero.

There are three different filing methods. Two options are largely identical (one for for-profit groups, the other for non-profits) and use a definition of lobbying provided by the Internal Revenue Code (IRC). The third follows the definition of lobbying contained in the Lobbying Disclosure Act of 1995 (LDA). Filers using the IRC methods must report state and grassroots lobbying costs, which are not included in LDA reports. However, the list of covered public officials under the IRC is much narrower than the set covered by the LDA. Thus, lobbying expenditures may not be strictly comparable among organizations.

Where an organization "self-files" (reports spending by in-house lobbyists), the Center generally uses that figure to represent their total lobbying expenditure for the period. Where an organization does not "self-file," the sum of its contracts with outside lobbying firms is used to represent their total lobbying expenditure for the period.

Annual lobbying expenditure and income totals on this site are calculated by adding mid-year totals and year-end totals. Whenever a lobbying report is amended, income/expense figures from the amendment are generally used instead of those from the original filing. Similarly, where a termination report is filed, generally figures from that report replace those of the original filing. Often, however, Center staff determine that the income/expenditures on the amendment or termination report are inaccurate. In those instances, figures from the original filing are used.

Occasionally, income that an outside lobbying firm reports receiving from a client is greater than the client's reported lobbying expenditures. Many such discrepancies can be explained by the fact that the client and the outside firm use different filing methods. When both organizations use the same method, discrepancies are generally due to filer error. In cases not already resolved in previous reports and where the discrepancy exceeds the \$20,000 that can be attributed to rounding, the client's expenditures - the smaller amount - rather than the lobbying firm's reported income are used. The only exception is when a client reports no lobbying expenditures, while the outside lobbying firm lists an actual payment. In such cases, the figure reported by the lobbying firm is used.

In cases where the data appear to contain errors, official Senate records are consulted and, when necessary, the Center contacts SOPR or the lobbying organizations for clarification. The Center standardizes variations in names of individuals and organizations to clearly identify them and more accurately represent their total lobbying expenditures.

In cases where both a parent and its subsidiary organizations lobby or hire lobbyists, the Center attributes lobbying spending to the parent organization. Therefore, the lobbying totals reported by the Center for a parent organization may not reflect its original filing with the Senate, but rather the combined expenditures of all related entities.

However, to calculate lobbying expenditures by sector and industry, each subsidiary is counted within its own sector and industry, not those of its parent. The Center makes this distinction when it has the information necessary to distinguish some or all of the subsidiary's lobbying expenditures from either the subsidiary's own filing or from the receipts reported by outside lobbying firms. For example, tobacco giant Altria Group owns Kraft Foods. Although Altria Group's filing included lobbying for Kraft in its expenditures, the Center isolated Kraft's payments to outside lobbyists and included them in 'Food Processing and Sales.'

When companies merge within any two-year election cycle, their lobbying expenditures are combined and attributed to the new entity. This is done in order to correlate lobbying data to campaign contribution data for each particular organization and industry.

Searching the database can be done by a diversity of groupings:
by: Client; Lobbying Firms; Individual Lobbyists; Industry; Issue; Agency; Bill ID; Bill; Keyword

- a.. Lobbying Overview
- b.. Top Spenders
- c.. Top Lobbying Firms
- d.. Ranked Sectors
- e.. Top Industries
- f.. Top Contracts
- g.. Top Issues

- i.. Search Database
- k.. Publications
- l.. 2006 Summary
- m.. Influence Inc 2000
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