

Who's donating? To whom? Why?

Patterns of party political donations in New Zealand under MMP

Abstract

This article considers the data on donations to New Zealand political parties collected by the Electoral Commission. The purpose is to address who gets what, and why. Relatively small amounts are donated. A little may buy considerable influence. There is limited evidence of strong upward trends in political donations, suggesting a systemic equilibrium. The plurality of donations is received by unsuccessful parties, suggesting that money is insufficient for political success. Most donations come from individuals (mostly men) or families. Cross-political spectrum donations are mostly from businesses and to the two dominant parties, suggesting that businesses are trying to buy the ear of the major power in government.

Keywords public trust, political party funding, party donations, influence, vested interests

Simon Chapple is director of the Institute for Governance and Policy Studies at Victoria University. Tom Anderson was a research assistant at the Institute for Governance and Policy Studies from 2017–19.

Surveys of the public by the Institute for Governance and Policy Studies for the years 2016, 2018, 2019 and 2020 show that only about one in four New Zealanders have a 'reasonable amount' or a 'great deal' of trust in the ways that political parties are funded, a very low trust level (Nguyen, Prickett and Chapple 2020). Despite this high level of public distrust in funding overall, and the potential importance of political donations specifically as a conduit for pursuit of private interests at the expense of what is socially desirable, no systematic data work has been done on political donations in the mixed member proportional (MMP) electoral system period.

Since the first MMP election there have been four regulatory regimes for donations and hence for data collection. This article focuses on party donations, under these regimes, not candidate donations because of the centrality of parties to MMP. The Electoral Amendment Act 1995 required political parties to annually disclose the value of party donations exceeding \$1,000 from a person or organisation. The

resulting information was published by the Electoral Commission on its website. The names and addresses of donors were declared, unless the donation was made anonymously, in which case anonymity was noted. The second donations regime was introduced by the Electoral Amendment Act 1996. The new act raised the annual donation disclosure threshold from \$1,000 to \$10,000. The third donations regime, commencing in 2008, was introduced by the Electoral Finance Act 2007. The Electoral Finance Act imposed stricter controls on anonymous donations. If any party donation exceeded \$1,000, the name and address of the contributor had to be disclosed to the party. If the donation exceeded \$10,000, the donor's name had to be disclosed to the public (i.e. there was no anonymity option). Additionally, controls capping the maximum size of overseas donations at \$1,000 were introduced.

The 2007 Act was repealed in 2009. However, an amendment to the Electoral Act 1993 was concomitantly introduced which meant that public disclosure requirements for donations over \$10,000 and the overseas donation cap of \$1,000 remained in force. Further changes were made in the Electoral (Finance Reform and Advance Voting) Amendment Act 2010, which came into force in 2011, creating the rules until 2019. The threshold for public disclosure of the identity of party donors was raised to \$15,000 per year and the maximum donation by an overseas person or entity was raised to \$1,500. The amendment also introduced a new requirement that party secretaries report any donation received above \$30,000 to the Electoral Commission within ten days of receipt. Lastly, the most significant improvement in information from the introduction of the fourth regime was the requirement that parties disclose the number and total value of anonymous donations made between \$0 and \$1,500, between \$1,500 and \$5,000, and between \$5,000 and \$15,000. Hence, the only donations missing from an aggregate count of party donations are named donations (to the party) under \$1,500. The omission of the aggregate of these named donations in the reporting regime seems a lacuna which can readily and should be eliminated.

... there are suggestions of donors splitting larger donations and using proxy donors to stay under reporting thresholds ...

This article considers both donations above the public anonymity threshold (1996–2019) and aggregate disclosed donations below the threshold (2011–19). The aim is to use the available data variation to squeeze out as much information as possible to address the questions of who donates to whom and why. The data is not designed for the purposes of answering these questions, and thus imposes a considerable constraint on any conclusions. Nevertheless, some interesting interim conclusions are possible.

Data analysis of party donations

Data on nominal current value party donors was taken from the Electoral Commission website (<https://www.elections.org.nz/>) for 1996–2019. Data was coded by year, political party (six groups: National, Labour, New Zealand First, Green, ACT, and small parties not elsewhere classified), and by nine types of donors (as private individuals or families, businesses, MPs/party presidents, party branches, community organisations, trusts, unions, millionaire party founders (Colin Craig, Gareth Morgan and Kim Dotcom: these three are also private donors, but because of their size are considered separately here) and anonymous (large donors could be anonymous until the 2008 regime). Data on private individuals or families was coded as male donors, female donors (gender assigned on the basis of

name; Google was used where gender was not evident, and a small number of donors were coded unknown) and couple (family) donors. Data was also coded on whether the donations came from a single donor or a donor who made multiple donations at any point over the 1996–2019 period. Aggregate data on donations below the threshold (available from 2011) was also considered in conjunction with disclosed donations.

To allow consistent comparisons across time, all donations data was adjusted to constant 2020 dollar values, using June-year data from the Reserve Bank inflation calculator (<https://www.rbnz.govt.nz/monetary-policy/inflation-calculator>).

Is the data complete? Under-reporting in any administrative data set is always possible. Equally, there are suggestions of donors splitting larger donations and using proxy donors to stay under reporting thresholds (e.g. *New Zealand Herald*, 2008).

There were 927 individual donations above disclosure thresholds between 1996 and 2019, or just under 39 donors each year on average. The total amount donated and recorded in the system above the varying individual anonymity thresholds amounts to just under \$45 million in total and averages a little under \$2 million per year. These are not vast sums. They may be large in relation to what it costs to run a political party, however, and they are large relative to the resources of most ordinary people, who most often cannot afford to give sums of thousands of dollars to a political party. In terms of temporal variation, Figures 1, 2 and 3 show a general tendency for a higher number, value and average of above-threshold donations in the eight election years covered, compared to adjacent non-election years.

Two anomalies where donations do not stand out in relation to adjacent non-election years occur in 1996 and 2008. Both almost certainly reflect anticipated regulatory regime changes. Additionally, the 1996 data covers only part of 1996, as regulations on donation reporting came into force on 1 April 1996. Less than half a million dollars is recorded as donated in 1996, compared to over \$700,000 the following, non-election year. Equally, in the 2008 election year, donations were \$1.2 million compared to \$3.3 million in 2007.

Who's donating? To whom? Why? Patterns of party political donations in New Zealand under MMP

Figure 1: Number of donations in excess of anonymity thresholds, 1996-2019

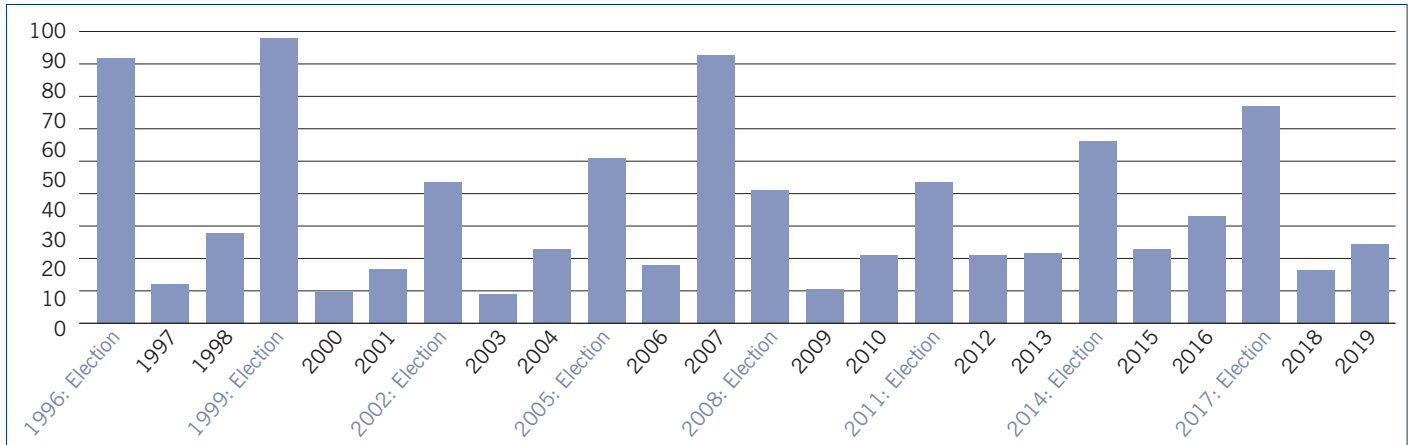


Figure 2: Total value of donations in excess of the anonymity thresholds, 1996-2019

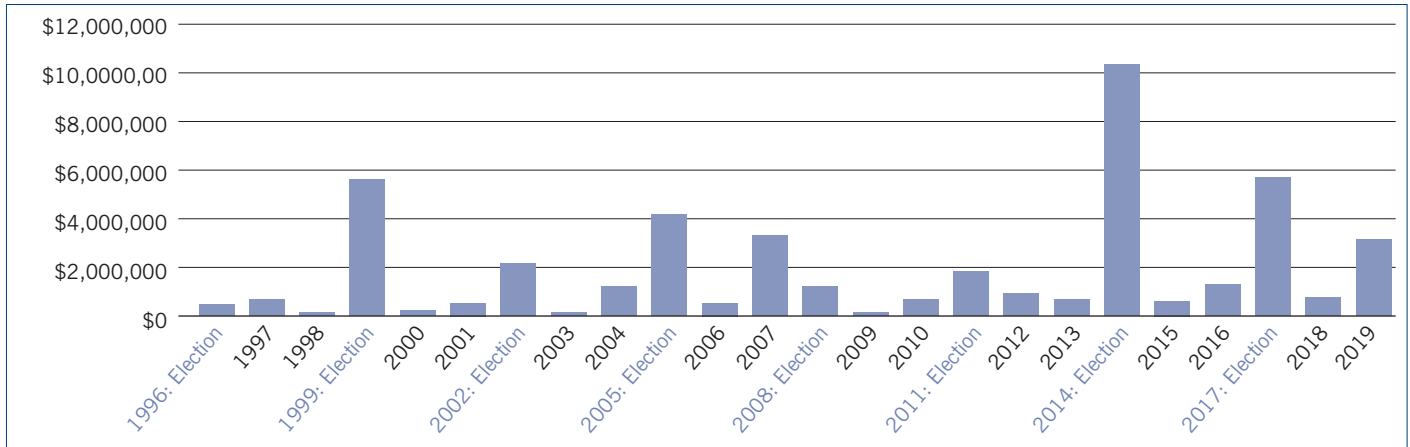


Figure 3: Average value of donations over the anonymity thresholds, 1996-2019

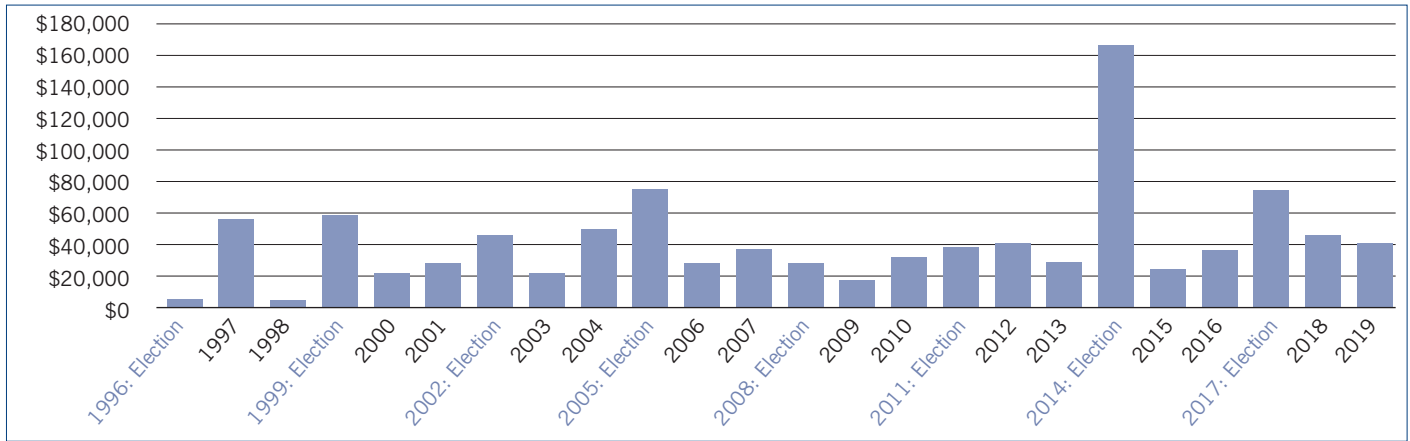
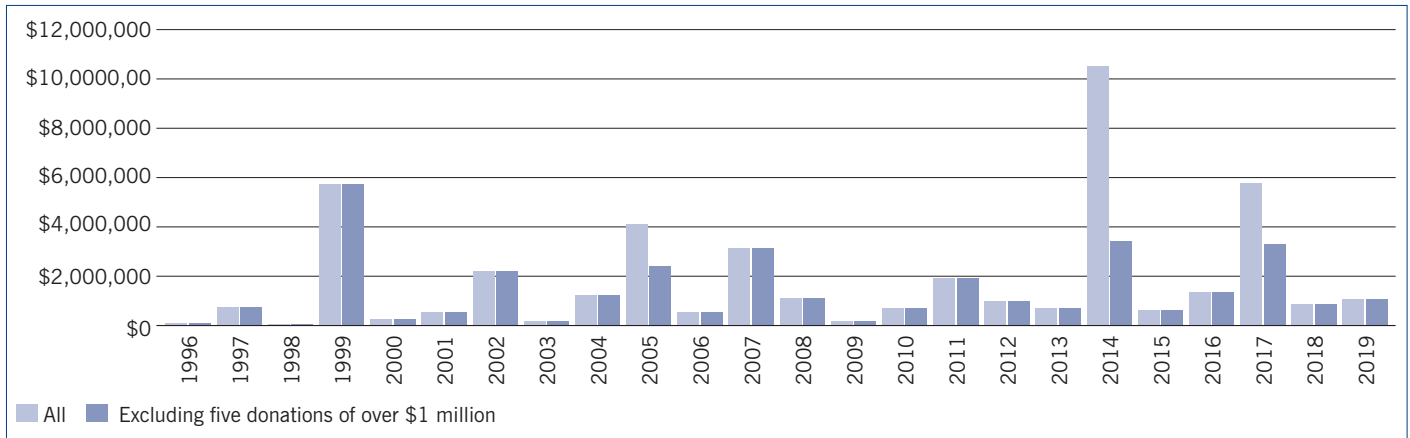


Figure 4: Value of donations over \$15,000, 2020 dollars



It seems likely that the 2007 bulge involved anticipation of the Electoral Finance Act, which became law in December 2007. This suggests that regulation does change donors' or parties' behaviour, at least in the short term. While Figure 3 shows that the average measured donation is volatile due to the influence of a small number of large donations (most obviously, in the 2014 election year), the median or middle donation (not charted) is stable over time.

The considerable spike in the total and average value of donations in 2014 (Figures 2 and 3) was due to the large donations from Colin Craig and Kim Dotcom.

A further question is the time trend of donations. Recorded donations represent the tip of an iceberg of unknown size, since named donations of under \$1,500 are unrecorded. Additionally, the threshold for recording individual donations changes from \$1,000 (1996) to \$10,000 (1997), and to \$15,000 (2011) in nominal terms, which may suggest a trend where none actually exists. To address the second issue, only the 747 individual donations over \$15,000 (in 2020 dollars) in all years were included. This method allows consistent estimates, with an identical real cut-off over time. Inspection (see Figure 4) showed little evidence of a time trend between 1996 and 2019, confirmed by a regression of individual donation value against time. The correlation with time was weak ($r=0.21$) and not statistically significant. Dropping the five largest donations as outliers, which is the population of donations exceeding \$1 million which drove the aggregate spike in donations in 2014, turned the weak relationship from positive to negative ($r=0.09$).

Which parties get donations? Who donates? Table 1 shows the plurality of donations were received by parties outside the five typically represented in Parliament over the majority of the MMP period. These have been ineffective in getting people into Parliament. National received somewhat more money in big donations than Labour, and those donations are somewhat larger on average. The Greens are not too far behind National and Labour in terms of donor numbers but have an average donation of about half. ACT have far fewer donations than the Greens, but their average value, double that of the Greens, pushes their total value up.

Table 1: Big donors, big donations: descriptive statistics of party donations in excess of the anonymity disclosure thresholds, 1996–2019, in real 2020 dollars

	N	Value of above-threshold donations	Average donation
BY PARTY			
National	231	\$12,874,196	\$55,732
Labour	250	\$10,179,265	\$40,717
Greens	197	\$4,683,571	\$23,774
Small parties NEC	140	\$13,515,921	\$96,542
ACT	75	\$3,459,939	\$46,133
NZ First	34	\$388,918	\$11,439
BY DONOR TYPE			
Total private	222	\$11,424,975	\$49,955
Man	144	\$6,868,631	\$47,699
Woman	51	\$2,596,366	\$50,909
Couple	22	\$1,722,610	\$80,573
Unclassified	17	\$187,368	\$11,022
Millionaire	6	\$8,286,362	\$1,381,06
Business	181	\$6,052,921	\$33,442
Anon	111	\$5,682,837	\$52,843
Trust	37	\$5,727,806	\$154,806
MPs/president	258	\$4,706,425	\$19,195
Party branches	64	\$1,561,660	\$24,401
Trade union	35	\$1,362,184	\$38,920
Community	13	\$196,727	\$15,610
BY NUMBER			
Multiple donations	516	\$23,959,317	\$46,433
Single donations	300	\$15,276,937	\$50,923
Anon	111	\$5,865,556	\$52,843

Most donations come from private donors, with men being much more likely to donate than women. All recorded millionaire donors are male. Businesses are an important rather than overwhelming source of donations, although it should be noted that the vast amount of money from private donors and from the millionaires has been made in business, rather than from wage and salary employment. Money from trusts has been of a similar magnitude to business donations.

The plurality of donors by donor type are either MPs or the party president. But the total amount from this source is relatively low, since the average donation is small. Donations from party branches, trade unions and community organisations have been minor sources of funding. Finally, the majority of large donations come from repeat donors – those who have made a large donation in two or more years.

For the period from 2011 to 2019, aggregated donations data below the

threshold is available (see Table 2). There is little evidence that New Zealand politics is groaning under the weight of growing amounts of big money. However, this data suggests that individually anonymous donations may be on the increase, as they have risen in successive elections. They have also flowed disproportionately to National over this shorter period (\$14 million compared to \$4 million for Labour, for example). Such anonymous aggregate donations account for two thirds of National's donations. The large amount of reported donations beneath the disclosure threshold received by the National Party has also been rising over time. Either there is growth in the number of people willing to donate to National under the threshold or they are increasingly avoiding the disclosure threshold. Between 1996 and 2011 National received in excess of \$5 million from trusts, a vehicle designed to preserve large donor anonymity. National largely abandoned the use of trusts

Table 2: Reported donations of the five main parties above and below anonymity thresholds, 2011–19

Year	Donations below threshold but reported in aggregate	Donations above threshold	Total of previous two columns
Total	\$23,907,919	\$12,076,384	\$35,984,303
BY YEAR			
2011 election	\$3,875,903	\$1,790,321	\$5,666,224
2012	\$1,077,318	\$905,732	\$1,983,050
2013	\$1,514,340	\$492,036	\$2,006,376
2014 election	\$4,731,710	\$2,348,150	\$7,079,860
2015	\$1,948,487	\$567,585	\$2,516,072
2016	\$2,563,647	\$1,167,476	\$3,731,123
2017 election	\$5,617,014	\$2,911,358	\$8,528,372
2018	\$943,734	\$835,714	\$1,779,448
2019	\$1,635,766	\$1,058,012	\$2,693,778
BY PARTY			
National	\$14,896,256	\$4,425,835	\$19,322,092
Labour	\$4,108,852	\$2,566,280	\$6,675,132
ACT	\$2,081,581	\$1,831,983	\$3,913,564
Greens	\$1,944,703	\$3,187,508	\$5,132,211
NZ First	\$876,528	\$64,778	\$941,305

following the 2011 election. It may be that donations previously funnelled to National through trusts above the threshold are now coming in under the anonymity threshold. Another data feature is the very small amounts of money donated to New Zealand First.

Table 3 shows distinct patterns of big funders by party. The class origins of both National and Labour remain in their donor patterns. National gets most reported business donations. Labour absorbs virtually the entirety of trade union donations, which, however, are not large in an environment where trade union coverage of the workforce is low and falling.

Labour receives significant business funding. In fact, Labour has got more in donations from businesses – about half a million dollars more – than from trade unions. None of the three smaller parties, including ACT, sometimes perceived as a business-based party, have been able to generate business donations to any serious degree. Equally, traditional trade union support for Labour has not flowed to the Greens on the left.

The other significant feature of National and Labour donations is anonymity, either directly under the early regimes (Labour) or via various trusts set up to funnel money to the party (National). Labour has also

concealed donor identity via the use of art auctions (see Wright, Flahive and Pasley, 2017).

Green donations are dominated by MPs, because of their tithing policy. These donations flow from Green electoral success, rather than vice versa. Labour's MP contributions are nearly \$1 million – a significant amount reflecting a mass donation in 2007 when the party was in financial strife. MP donations to other parties are minor.

Donors to multiple parties can be divided into donors to multiple parties across the centre-right of the political spectrum (National, Act, the Maori Party, New Zealand First), donors to the centre-left (Labour, Greens, Alliance), and donors to at least one party on both sides of this political spectrum. This data is shown in Table 4.

Six donors donate to parties of the centre-right; for the centre-left the figure is seven. Most multi-party donors on the centre-left are trade unions. There is a mix without strong pattern on the centre-right. The number of cross-spectrum donors is much larger: 20. The cross-spectrum donors are dominated by businesses, comprising 17 of the total number. The purpose of cross-spectrum donors is unlikely to be ideological. Rather, they more likely seek to gain access to politicians to protect some form of vested interest. All such donors are identifiable large businesses, operating with a degree of monopoly in an environment where either government purchasing or regulation is an important consideration. Interestingly, of Labour's total of \$1.8 million in business donations, \$1.1 million (64%) comes from these cross-

Table 3: What sorts of donors donate to different parties? Donors, parties and reported donations above the anonymity threshold, 1996–2019

	National	Labour	Greens	ACT	NZ First	Small parties NEC	Total
Individual or family	\$3,071,426	\$2,680,206	\$1,166,017	\$1,563,304	\$71,579	\$2,537,490	\$11,090,023
Millionaire founder	\$0	\$0	\$0	\$0	\$0	\$8,286,362	\$8,286,362
Business	\$3,325,408	\$1,758,313	\$74,559	\$227,985	\$223,260	\$443,395	\$6,052,921
Anonymous	\$1,236,109	\$2,988,990	\$57,400	\$1,377,750	\$9,954	\$195,354	\$5,865,556
Trust	\$5,133,431	\$382,934	\$0	\$95,029	\$12,640	\$103,772	\$5,727,806
MPs/party president	\$58,387	\$1,056,742	\$3,296,134	\$147,045	\$71,485	\$322,580	\$4,952,374
Party branches	\$0	\$104,201	\$0	\$48,826	\$0	\$1,408,633	\$1,561,660
Trade union	\$0	\$1,199,584	\$73,620	\$0	\$0	\$88,980	\$1,362,184
Community	\$49,435	\$8,295	\$15,840	\$0	\$0	\$129,355	\$202,925
Grand total	\$12,874,196	\$10,179,265	\$4,683,571	\$3,459,939	\$388,918	\$13,515,921	\$45,101,810

Table 4: Multi-party donors and the political spectrum, 1996–2019

Donor	Category	Parties	Number of donations	Total value
CROSS-SPECTRUM				
AMP	Business	National, Labour	2	\$46,500
Brierley Investments	Business	National, Labour	3	\$124,000
Clear Communications	Business	National, Labour, NZ First	2	\$46,500
Contact Energy	Business	National, Labour	8	\$264,440
Ericsson Communication	Business	National, Labour, Greens, ACT	2	\$58,400
Fletcher Building	Business	National, Labour	10	\$237,600
Go Bloodstock NZ	Business	National, Labour	2	\$105,000
Heartland Bank	Business	National, Labour	2	\$78,908
Lion Nathan	Business	National, Labour	3	\$148,500
Natural Gas Corp Management	Private	National, Labour	4	\$170,900
Owen Glenn	Trust	National, Labour	3	\$692,946
Road Transport Trust	Business	National, Labour	4	\$116,500
Saturn Communications	Business	National, Labour, Greens, ACT	2	\$62,000
Sky City	Private	National, Labour	7	\$319,520
Susan Zhou	Business	National, Labour	2	\$73,030
Todd Corporation Ltd	Business	National, Labour	2	\$112,000
Toll	Business	National, Labour	4	\$128,500
Tower	Business	National, Labour	4	\$76,700
Transalta NZ	Business	National, Labour	2	\$69,750
Westpac	Business	National, Labour	19	\$506,480
Total cross-spectrum			87	\$3,438,174
CENTRE-LEFT				
E Tū	Union	Labour, Greens	2	\$157,590
Nation Distribution Union	Union	Labour, Greens, Alliance	3	\$68,186
Engineers Union	Union	Labour, Alliance	4	\$202,910
Philip Mills	Private	Labour, Greens	4	\$214,871
Rail & Maritime Transport Union	Union	Labour, Greens	4	\$88,662
Jim Anderton	MP	Alliance, Progressives	7	\$132,510
D and G Becroft	Private	Labour, Progressives	3	\$74,950
Total centre-left			27	\$939,679
CENTRE-RIGHT				
Bruce Plested	Private	National, Māori	4	\$298,643
Christopher & Banks Equity	Business	National, ACT	3	\$226,156
Earl Hagaman	Private	National, ACT	2	\$128,528
Gallagher Group	Business	National, ACT	5	\$259,226
John Banks MP	MP	National, ACT	2	\$33,289
Paul Adams	Private	National, Family Party	2	\$73,479
Total centre-right			18	\$ 1,019,321

spectrum business donors. So corporate donors to Labour do not appear to be endorsing centre-left ideology. Rather they're having a buck both ways. For National, a lower amount and smaller percentage of business donations (about \$1 million, or 29% of their total business donations) came from cross-spectrum donations.

Discussion

This article is unable, since there is no physical transaction observed, to resolve the issue of what, if anything, observed donations actually buy in New Zealand politics. But some conclusions are possible. Overall, relatively small amounts in terms of GDP are involved in party donations. The consequence, perhaps, is that comparatively small sums in the right place may buy considerable influence. For a recent example, the transcript of the conversation between National Party leader Simon Bridges and his colleague Jami-Lee Ross could be interpreted as suggesting that a donation of \$100,000 could ensure two ethnic Chinese on the National Party candidate list (Stuff, 2018).

If marginal donations gave super-normal returns to donors, donations should be rapidly increasing in value and number to take advantage of this effective private influence vector. However, there is little or no evidence of strong upward trends in political donations, at least as measured by Electoral Commission returns. This suggests that the system is, at least currently, in some sort of rough-and-ready equilibrium.

Party donations usually peak in election years, which suggests that if money is to be used for influencing politics, it is best applied in proximity to an election. It is unclear whether this temporal arrangement is dictated by the donors, or the recipients.

There is little evidence that amounts of party donations have been systematically growing over the MMP period. For over-threshold donations, the plurality is received by small parties, largely reflecting the \$8 million donated by the three rich founders of ultimately failed political parties. When the broader amount of donations over a shorter period is considered, National receives the plurality of donations, due to a strong performance on recorded but aggregated and hence anonymous donations. We do not know how many of these donations are rendered anonymous by splitting a larger donation up to come in under the disclosure threshold, as has been suggested in the Bridges/Ross affair, but there has been some suggestion that the practice was not a unicorn (Newshub, 2019).

The plurality of above-threshold donations come from private individuals or families. Where the gender of donations from private individuals can be identified, men are much more likely to be donors than women, even when three millionaire male donors are excluded from the count.

Labour receives significant business funding. But it receives far less than National. In addition, business funding to Labour involves a significant majority from businesses who donate across the political spectrum. These businesses are likely pursuing influence rather than promoting an ideology. However, the amounts involved are not large absolutely, or in relation to donations which seem more ideologically driven.

Also as regards Labour's donations, old class-based patterns still matter in terms of union donations. However, to a large extent due to the very limited power of organised labour in New Zealand, these donations are very small.

Cross-political spectrum donations, a particularly interesting form, are mostly from businesses and go almost entirely to the two dominant parties. Those businesses donating across the spectrum operate in areas of the economy which are subject to significant government influence. This pattern suggests that businesses are trying to buy the ear of one of the two parties which is likely to be the dominant power in the government of the day.

The 2014 and 2017 failures of the big spenders Colin Craig, Kim Dotcom and Gareth Morgan show that parties cannot simply buy their way into power. Money is not a sufficient condition for political success. Nevertheless, Craig, Dotcom and Morgan received significant numbers of votes. While those votes did not get those millionaires into Parliament, simply by funnelling votes away from others they influenced the shape of Parliament and thus had, arguably, an unequal political influence. However, the large amounts of funding going to ACT, a party which for long periods of time has polled very poorly, suggests that money may be a necessary means of keeping a minority party viable through the inevitable lean times.

Lastly, claims sometimes made that regulating donations is ineffective, so we shouldn't bother, is a red herring. No mode of regulation involves zero avoidance and evasion. The examination of data on donations is a case in point. Political parties have found creative ways to avoid (legally) and potentially evade (illegally) regulation on donations reporting, including through use of trusts, anonymous donations, auctions, donation splitting and inter-temporal transfer of donations. Evidence of avoidance and evasion merely establishes imperfection, the inevitable fate of all human creations.

References

- Newshub (2019) 'Every political party mishandles election donations – Peter Dunne', *Newshub*, 13 March, <https://www.newshub.co.nz/home/politics/2019/03/every-political-party-mishandles-election-donations-peter-dunne.html>
- New Zealand Herald (2008) 'Timeline: the NZ First donations saga', *New Zealand Herald*, https://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10529658
- Nguyen, D., K. Prickett and S. Chapple (2020) *Results from the IGPS March 2020 Trust Survey*, working paper 20/04, Wellington: Institute for Governance and Policy Studies
- Stuff (2009) 'Jones gave \$25,000 to NZ First', *Stuff*, 27 February, <http://www.stuff.co.nz/national/546096/Jones-gave-25-000-to-NZ-First>
- Stuff (2018) 'Jami-Lee Ross and Simon Bridges' phone call transcript', <https://www.stuff.co.nz/national/politics/107914931/jamilee-ross-and-simon-bridges-phone-call-transcript>
- Wright, M., B. Flahive and J. Pasley (2017) 'Artworks used to funnel secret donations to the Labour Party', *Stuff*, 20 August, <https://www.stuff.co.nz/national/politics/95891686/artworks-used-to-funnel-secret-donors-contributions-to-the-labour-party>