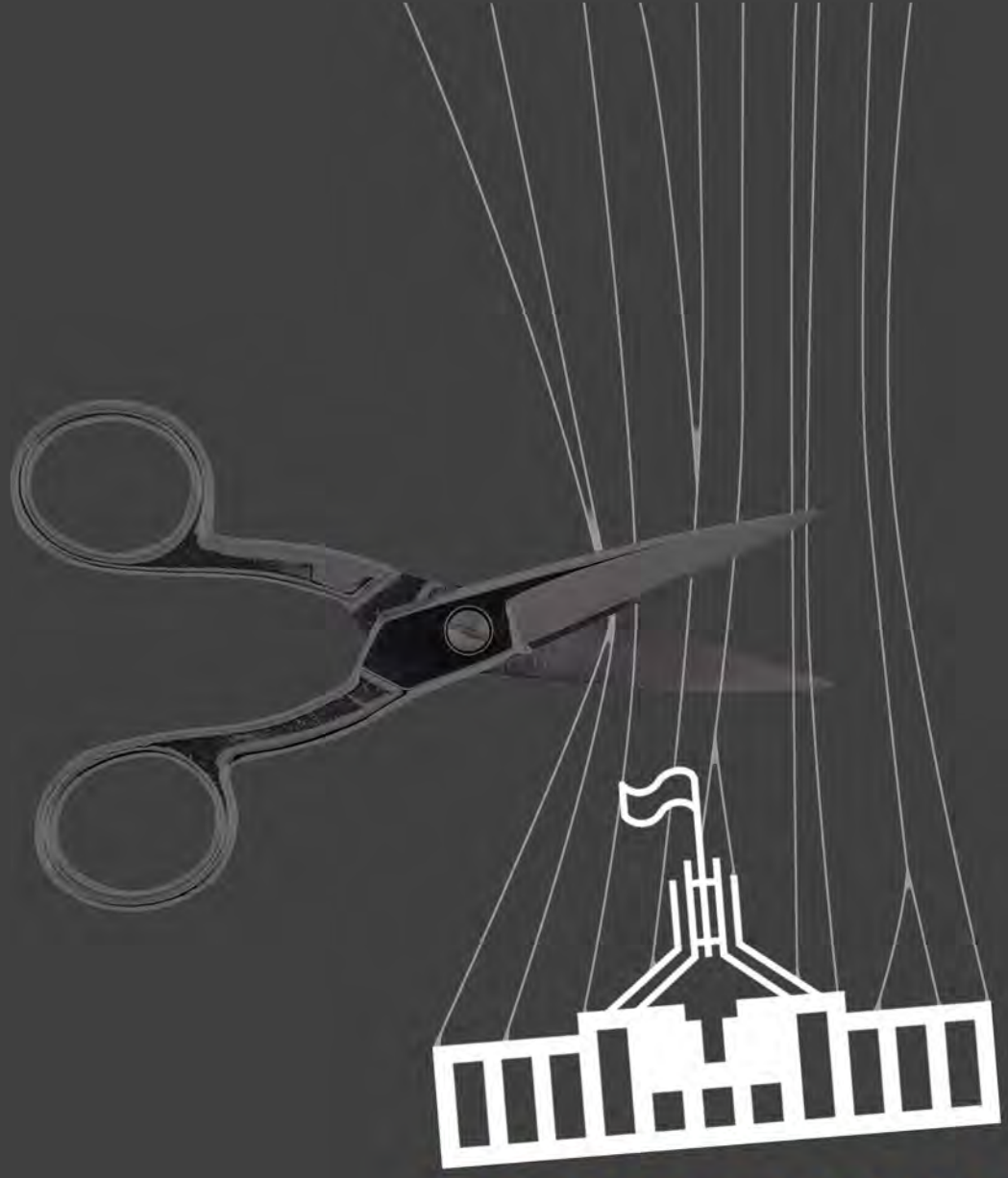

CONFRONTING STATE CAPTURE

australiandemocracy.org.au/statecapture

AUSTRALIAN DEMOCRACY NETWORK

PUBLICATION DETAILS

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i. Preface

The health of our democracy affects our lives every day. All the big decisions we make are negotiated through our democratic process, and if that isn't working well, we don't get the best outcomes. Whether it's how we fund our schools and hospitals, respond to the climate crisis, build our cities, manage our natural environment, look after the most vulnerable in society - all of this is decided by our democratic processes. If you thought a healthy democracy was just nice to have, think again. The health of our democracy determines how we live, and the society we create for future generations.

Our vision is for a thriving democracy in which civil society is robust and vibrant: public debate is informed, fair and diverse; citizens are engaged, government is clean, open and accountable, and the wellbeing of people and the planet comes first.

There are many things that work pretty well in our democracy, and that's important to acknowledge. But overall, it's undeniable right now that our democratic system is failing to deliver on some critical fronts: a stable climate policy that is ambitious enough to match the scale of the crisis; a plan to address economic inequality entrenched by a pandemic; a serious attempt to grapple with our history of dispossession and the demands for self-determination of Aboriginal and Torres Strait Islander peoples now - just to name a few of them.

Before launching the Australian Democracy Network, we did a series of research interviews with changemakers, experts, community leaders and academics to ask them what they thought were the key problems with our democracy. State capture - which is sometimes referred to as corporate capture or undue corporate influence - was top of the list, nominated by every single person we interviewed.

In a healthy democracy, dollars don't determine policy outcomes. People do. In a healthy democracy, we all have an equal say, we debate important issues, and the people we send to Parliament really do work for us and represent our views. State capture undermines all of this and it's one of the most significant threats to democracy in Australia.

Any democracy worth the name features a genuinely open civic space, where advocacy, critique, dissent and protest are part of the democratic debate. Those who can capture the state not only use undue influence to promote their own interests at the expense of the public interest, they often use this influence to turn the machinery of government into a tool to harass, intimidate, punish and silence their most vocal and effective opponents.

This kind of government crackdown on our rights to protest, dissent and advocate for our causes is a threat to democracy and our participation in it. It is not always understood as an inherent expression of state capture.

By its nature, state capture is usually hidden. The scandals that hit the news are really the tip of the iceberg - there's so much more to the problem that we don't see. This report gives an insight into the machinery of state capture, identifying the specific modes and sites of interference. Understanding a problem is the first step to fixing it. This report is vital reading for anyone seeking to create positive social change because the impact of state capture is almost certainly one of the key obstacles to your success.

The good news is, there's no call for cynicism or despair. We have the solutions to begin confronting state capture by corporate interests, some of which we've packaged up in our Framework for a Fair Democracy. Of course, we'll need the Australian Government to actually legislate these solutions, and for that we need to ignite a national movement across Australia of people re-engaging with their communities, demanding the representation they deserve, and holding governments to account for their choices. In further good news, this movement is already emerging from communities all around the country, led by people who want better for their families and communities, and will work together to stand up and speak out for the changes we need.

This report makes a compelling case that state capture is a problem eating away at the foundations of our democracy, our way of life and everything we care about most. It's a huge problem, but it's not bigger than us. If you read this report and want to do something positive about the problem of state capture, come and join us.

Saffron Zomer

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ii. Executive summary

This report introduces the concept of state capture in the Australian context: what it is, how it applies here, and what to do about it.

The state capture framing has been useful in driving reform in other democracies and is worth adding to our toolbox when confronting how political, economic and social power operates in Australia.

The World Bank defines state capture as "the exercise of power by private actors — through control over resources, threat of violence, or other forms of influence — to shape policies or implementation in service of their narrow interests".

Under state capture, policymaking doesn't work the way most people believe it does, and neither do elections. Under state capture, the rule-making machinery itself is the prize, including the ability to define what constitutes corrupt or illicit behaviour in the first place.

In order to make progress against something that operates at such an entrenched and systemic level, we need a better map of its moving parts, dependencies and points of failure.

This report identifies six channels through which state capture by corporate interests is exercised: financial, lobbying, revolving doors, institutional repurposing, research and policymaking, and public influence campaigns.

Two case studies show how fossil fuel and arms companies exercise forms of control over the political process in Australia and firmly meet the definition of state capture.

A key element of state capture is the management of political parties both in government and opposition, with industry punishing dissent and rewarding compliance, ensuring that even in a change of government, industry wins.

Disillusionment with Australian political parties and lack of trust in politicians is not always apathy - it's a legitimate response to state capture. We need more than piecemeal tweaks to donations reform or anti-corruption initiatives for Australia's democracy to serve more than the powerful few.

We need a commitment that the Framework for a Fair Democracy will be implemented by our next parliament.

iii. Recommendations

1. Recognise state capture as a systemic threat to Australian democracy.

Frustration with the string of failings and corruption of Australian democracy is widespread, but rarely described or understood as a systemic threat posed by corporations. Rather than respond to each new crisis of political integrity in a piecemeal fashion, we need to recognise and name this as state capture. By recognising we have a systemic problem, attention can focus on systemic solutions to deliver a healthy Australian democracy which works for all of us, not just for the powerful few.

2. All parties and candidates should commit to legislating reforms under the Framework for a Fair Democracy.

As Australians go to the polls, those seeking election should support the framework, and our next Parliament must prioritise these reforms:

Stamp out corruption

- Create a strong federal integrity commission
- Introduce an enforceable code of conduct for politicians
- Independent funding of the Audit Office and Information Commissioner
- Introduce a merit-based process for appointing government advisors

End cash for access

- Create a public register for lobbyists and publish ministerial diaries
- Impose a three-year mandatory cooling-off period for ministers and their staff
- Ban large donations to politicians altogether
- Limit the amount candidates and parties can spend on election campaigns
- Declare all political donations over $2,500 publicly and in real time

Level the playing field in election debates

- Limit how much anyone can spend on trying to influence the outcome of an election
- Penalise politicians and campaigners who clearly and deliberately mislead the Australian public to influence an election result
- More detail on the Framework can be found at the #OurDemocracy website: https://www.ourdemocracy.com.au/the-framework/

3. Create political, economic and social consequences for the corporate powers and the political decision makers who participate in the tactics of state capture.

While legislative reform is crucial, we know that it alone is not enough. For state capture to end, there must be a cost to those participating. Creating a political culture where participation in the activities of state capture comes at a cost for all involved is a critical step towards a healthier democracy.

4. Protect vibrant, diverse civic participation at the heart of our healthy democracy.

When state capture enables the machinery of government to be used as a tool to harass, intimidate, silence and punish vocal opponents of corporate powers, our democracy is in peril. Attempts to crack down on the legitimate right to advocate, critique and protest should be resisted as cynical ploys to undermine democracy and stifle democratic debate and participation.

1. What is state capture

State capture can occur when corporations, powerful families or religious sects accumulate a critical mass of control over democratic checks and balances, hollowing out public institutions for private benefit. Over time, the usual methods of policy reform, legal challenges or elections become increasingly ineffective at dislodging the captors.

According to the World Bank definition, state capture is "the exercise of power by private actors — through control over resources, threat of violence, or other forms of influence — to shape policies or implementation in service of their narrow interest"[1].

> "...state capture is the exercise of power by private actors — through control over resources, threat of violence, or other forms of influence — to shape policies or implementation in service of their narrow interest."
> **WORLD BANK**

The term was first used as shorthand for the slide towards oligarchy in Eastern European republics after the breakup of the Soviet Union. A World Bank working paper from September 2000 noted "in the capture economy, the policy and legal environment is shaped to the captor firm's huge advantage, at the expense of the rest of the enterprise sector". [2]

While much of the literature on state capture has focused on industrialising economies, a 2019 study by the World Bank Group highlighted long-established democracies hold no special immunity: "the capture of policies is not limited to low-income countries. It is also demonstrated in high-income democracies with high state capacity".[3]

State capture is much more than just petty corruption. Authors of a key study in South Africa titled Shadow State noted: "corruption tends to be an individual action that occurs in exceptional cases, facilitated by a loose network of corrupt players. It is informally organised, fragmented and opportunistic. State capture is systemic and well organised by people who have an established relationship with one another. It involves repeated transactions, often on an increasing scale".[4]

A 2014 study on state capture by Transparency International defined it as a system-wide manifestation of corruption: "State capture is one of the most pervasive forms of corruption, where companies, institutions or powerful individuals use corruption such as the buying of laws, amendments, decrees or sentences, as well as illegal contributions to political parties and candidates, to influence and shape a country's policy, legal environment and economy to their own interests".

State capture is dangerous because society's rule-making machinery is the prize, including the ability to define what constitutes corrupt or illicit behaviour in the first place.

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1 World Bank Group: World Development Report 2017: Governance and the Law. Washington, DC.

2 Hellman, Joel, Jones, Geraint, and Kaufmann, Daniel. Seize the State, Seize the Day: State capture, corruption and influence in transition. World Bank Policy Research Working Paper 2444, 2000.

3 Fiebelkorn, Andreas: State Capture Analysis: How to Quantitatively Analyze the Regulatory Abuse by Business-State Relationships. World Bank Group Working Paper 2019. https://openknowledge.worldbank.org/handle/10986/33094

4 Peter, Camaren, Hannah Friedenstein, Haroon Bhorat, Ivor Chipkin, Lumkile Mondi, Mark Swilling, Mbongiseni Buthelezi, Mzukisi Qobo, Nicky Prins, and Sikhulekile Duma. Shadow State: The Politics of State Capture. Wits University Press, 2018. https://www.researchgate.net/publication/327194783_Shadow_State_The_Politics_of_State_Capture/link/5ee1d8d7458515814a545dc6/download

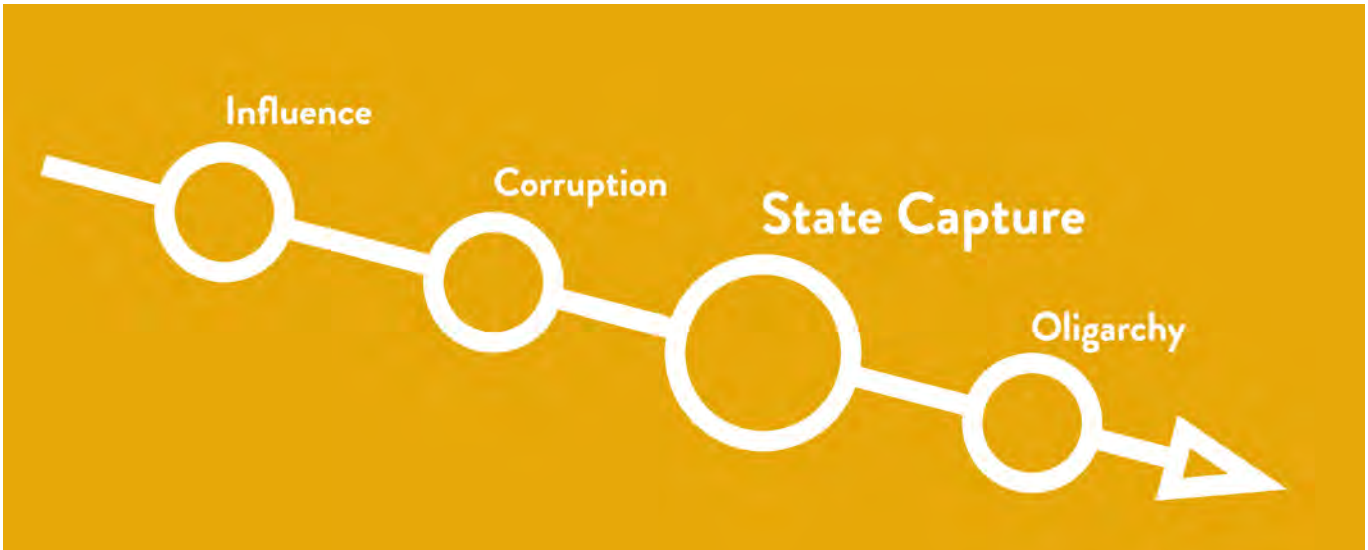

Figure 1: the slide to oligarchy

Dominating one major party in isolation does not constitute state capture. To be able to endure through election cycles, and to ensure that policies unfavourable to the captor are killed off at the earliest possible stage, a key element of state capture is the management of political parties both in government and opposition. To do this, a range of techniques are brought to bear to reward compliance and punish dissent, ensuring that even in a change of government, the whole infrastructure of state capture remains intact.

In Australia we see these techniques operating in two distinct modes - carrot and stick - that over time have come to define the boundaries of political debate. Mainstream media has provided the most important public channels for these campaigns in the past, but in recent years social media platforms - which also act as amplifiers for old media incumbents - have assumed much greater importance.

This broad scope - encompassing governments, opposition parties, media and public influence - is what differentiates state capture from petty corruption or the regulatory capture of individual agencies.

Obstacles to traditional reform methods

Under fully articulated state capture, narrow elements of private industry can assume a high degree of control over the rule-making process itself, allowing it to further erode checks and balances and entrench its power in a self-reinforcing feedback loop.

This sets up the paradox that the people best placed to 'reform' the system are insiders who are the chief beneficiaries of the status quo. According to one study of state capture in post-Soviet states: "the capture economy is trapped in a vicious circle in which the policy and institutional reforms necessary to improve governance are undermined by collusion between powerful firms and state officials who reap substantial private gains from the continuation of weak governance".[5]

State capture is dangerous because society's rule-making machinery is the prize, including the ability to define what constitutes corrupt or illicit behaviour in the first place.

5 'Confronting the Challenge of State Capture in Transition Economies - ProQuest. http://search.proquest.com/docview/209421452?rfr_id=info%3Axri%2Fsid%3Aprimo.(accessed 4 May 2020)

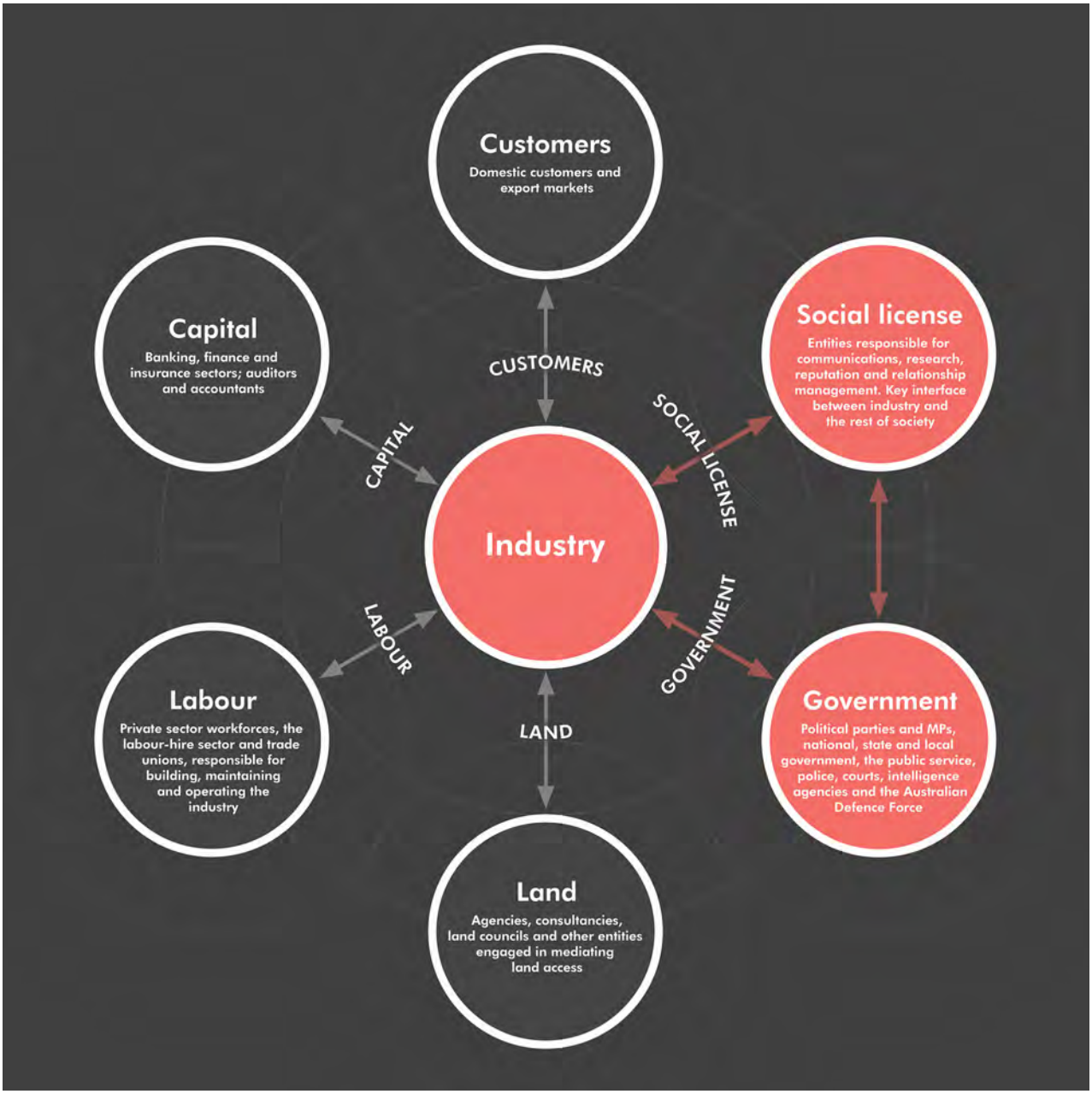

Figure 2: industry sources of power
Industry requires the smooth functioning of all six sources of power (sometimes referred to as pillars of support) in order to operate. This study focuses on the state capture nexus between industry, government and the maintenance of social license - the three domains marked in red.

As Adjunct Professor Colleen Helen Lewis told an Australian Senate committee in 2018: "reform of political donations is a policy with a sting. The sting in part is that it is going to affect the only people who have the power to change the system. It is going to affect their vested interests to some degree. It is much the same argument that comes up with why we don't have a federal ICAC (Independent Commission Against Corruption), which is absolutely essential if we are going to have an effective political donations scheme".[6]

Nonetheless, under state capture there are still viable means of collective resistance and points of intervention. A tenacious minority of minor party members of parliament (MPs) and independents demonstrate it is possible to get elected without submitting to the kinds of manipulation this report describes. Steady progress against the tobacco industry and the uranium sector, the rise of renewable energy and the stepwise contraction of the global coal industry demonstrate that social movements can still take the upper hand against powerful incumbents and win.

6 'ParlInfo - Political Influence of Donations. https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22committees%2Fcommsen%2F1287fa32-8742-43fd-b37d-3c7e215cdf71%2F0000%22 (accessed 26 June 2020)

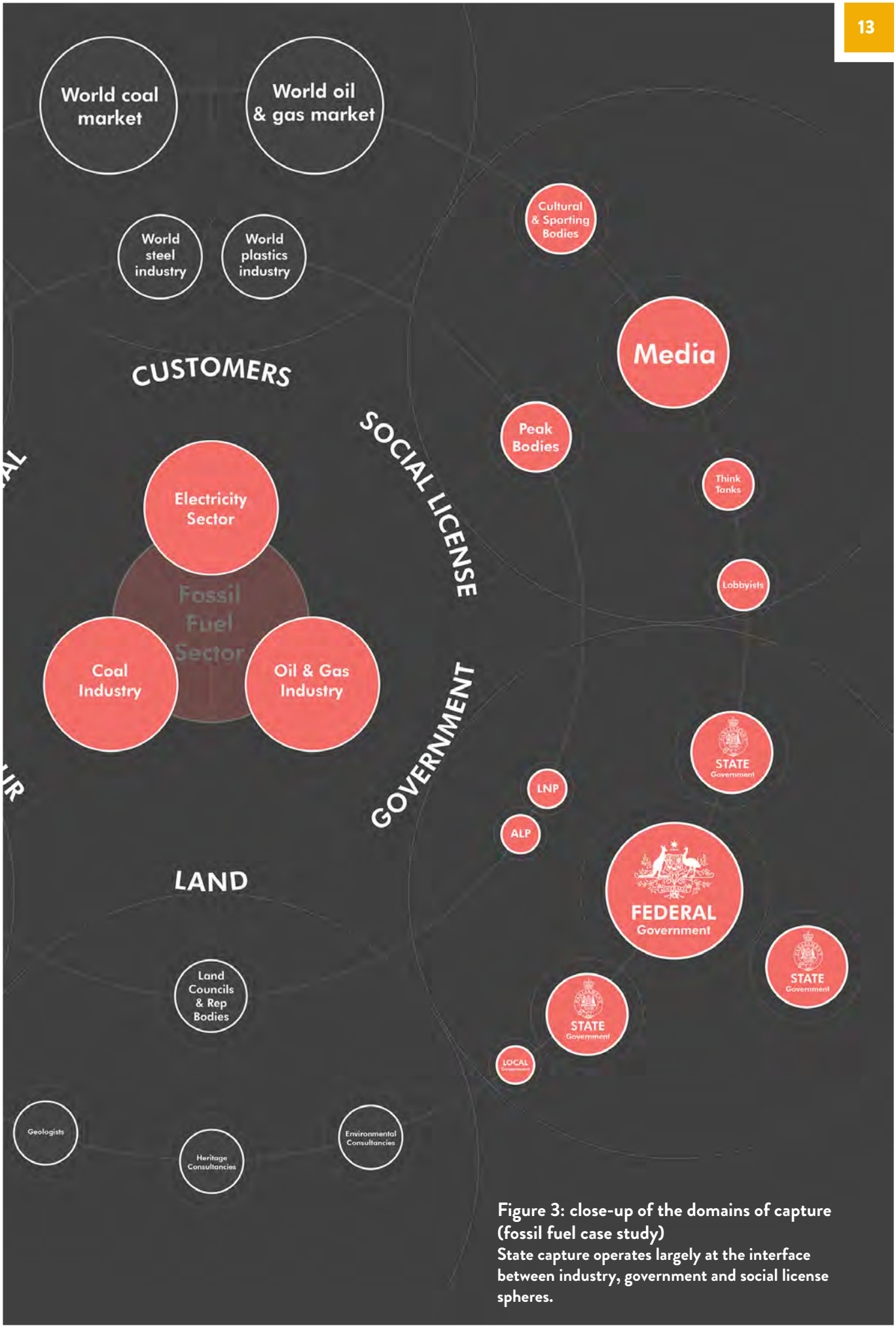

Figure 3: close-up of the domains of capture (fossil fuel case study)
State capture operates largely at the interface between industry, government and social license spheres.

2. State capture in Australia

Research undertaken by the Australia Institute in 2017[7] established that the Australian mining industry was 86% foreign owned, and its peak lobby groups had spent in excess of half a billion dollars on influence campaigns in the prior decade. According to the report: "foreign companies [hold] 10 out of 14 positions on both the Minerals Council board and the Queensland Resources Council board". The main actors in the Australian arms industry are overwhelmingly foreign owned, as described in section 4. The largest media organisation in Australia is foreign owned, our largest lenders and insurers are foreign owned, and the industry narrative of capture and disinformation has generally been perfected in the US before migrating into the Australian context.

While the focus of this report is on Australia, state capture only makes sense in its global context. We have considered how power is exercised through six broad channels, targeting tiers of governance, media and civil society with different industry groups using varying combinations of:

■ Financial interventions in politics

The story of state capture starts with money, both political donations and the dark money funneled to political parties.

■ Lobbying and personal influence

Direct and formal contact between industry and policymakers is only partially regulated, with specialist lobbying firms, PR consultants, business forums, and peak bodies undertaking informal lobbying through social networks, on the golf course, at exclusive clubs, site visits and industry functions.

■ Revolving doors and personnel exchange

When former Australian public and elected officials move into the private sector they take extensive contact network, deep institutional knowledge, and rare and privileged personal access to people at the highest levels of government and industry, exercising influence over policy making and government procurement decisions.

■ Institutional repurposing

Hollowing out and repurposing institutions established to serve the public good is a gradual process of incremental reforms, revolving door appointments and slow cultural drift in which the agency is gradually unmoored from its stated purpose.

■ Research and policymaking

Unlike community and other interest groups, major industries have virtually unlimited resources to engage in research and policy processes, generating submissions and legislative amendments and providing evidence to inquiries, which industry funded think tanks reinforce.

■ Public influence campaigns

companies and industry bodies have the resources to use traditional media, social media, PR campaigns as well as disinformation and dark PR, and also purchase social license through investment in highly visible social and community infrastructure, cultural and sporting events.

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7 Undermining our democracy: Foreign corporate influence through the Australian mining lobby, Australian Institute 4 September 2017 https://australiainstitute.org.au/report/undermining-our-democracy-foreign-corporate-influence-through-the-australian-mining-lobby/

2.1 Financial interventions in politics

"Political money strongly resembles the electromagnetic spectrum: only slivers of it are visible to the naked eye"

- Professor Thomas Ferguson

It is impossible to overstate the role of money in warping the democratic fabric of society. Most political reporting and education is premised on the assumption that in an idealised democracy, voters determine who leads the country. But under state capture, the will of the voter becomes less and less relevant to the operations of the state.

This is not simply a straightforward matter of political donations. The arms industry exerts enormous political influence in Australia without ever breaking into the top tier of donors. In state jurisdictions where spending caps and reporting obligations are much tighter than the federal regime, the resources, real estate and gambling sectors find other means by which to exercise power.

Nonetheless, the financial firepower of industry is a common enabling factor across all six channels of intervention and the story of state capture starts with money.

2.1.1 The investment theory of party competition

In US political scientist Professor Thomas Ferguson's 'Investment Theory of Party Competition', the will of the voter is largely subordinated to the demands of competing industry groups. "Competition between blocs of major investors drives the system...blocs of major investors define the core of political parties and are responsible for most of the signals the party sends to the electorate,"[8] he contends.

His team's research has focused on 40 years of Congressional races in the US House of Representatives, races in which whoever spends the most money nearly always wins. "The relation between major party candidates' shares of the two party vote and their proportionate share of total campaign expenditures were strongly linear - more or less straight lines in fact[9]". If you know in advance which party has spent the most money - nearly all of it provided by investors with a material stake in the outcome - you can predict who will win with a very high degree of confidence.

Although the data are not as fine-grained, a 2019 study by the Grattan Institute[10] found the party spending the most money won the most seats in five out of five of the past Australian federal elections. In 2007 - the last time the Australian Labor Party (ALP) won a clear majority - trade union mobilisation over WorkChoices gave ALP the financial edge. In 2010, the ALP were outspent and won a minority of seats but the then Prime Minister Julia Gillard was able to negotiate a minority government with the support of Greens and independents.

In the 2013, 2016 and 2019 elections, the Liberal National Party (LNP) - with supportive interventions by Clive Palmer - outspent the ALP and were able to form government.

8 Ferguson, Thomas. Golden Rule : The Investment Theory of Party Competition and the Logic of Money-Driven Political Systems. Chicago : University of Chicago Press, 1995.

9 Institute for New Economic Thinking. How Money Drives US Congressional Elections. https://www.ineteconomics.org/research/research-papers/how-money-drives-us-congressional-elections (accessed 15 November 2019)

10 How big money influenced the 2019 federal election, Grattan Institute 2020 https://grattan.edu.au/news/how-big-money-influenced-the-2019-federal-election/

This leads to the unsettling conclusion that if you know in advance which bloc of parties have spent the most money, you can predict with some confidence the outcome of an election without a single vote needing to be cast.

According to Associate Professor Joo-Cheong Tham, these flows of political money: "[do] not require explicit bargains or that a specific act results from the receipt of funds. Rather, it arises when the structure of incentives facing public officials results in implicit bargains of favourable treatment or a culture of delivering preferential treatment to moneyed interests".[11]

Unlike explicit forms of corruption in which cash or gifts are exchanged for policy outcomes, the effect of these tides of money on politics are an ambient form of undue influence.

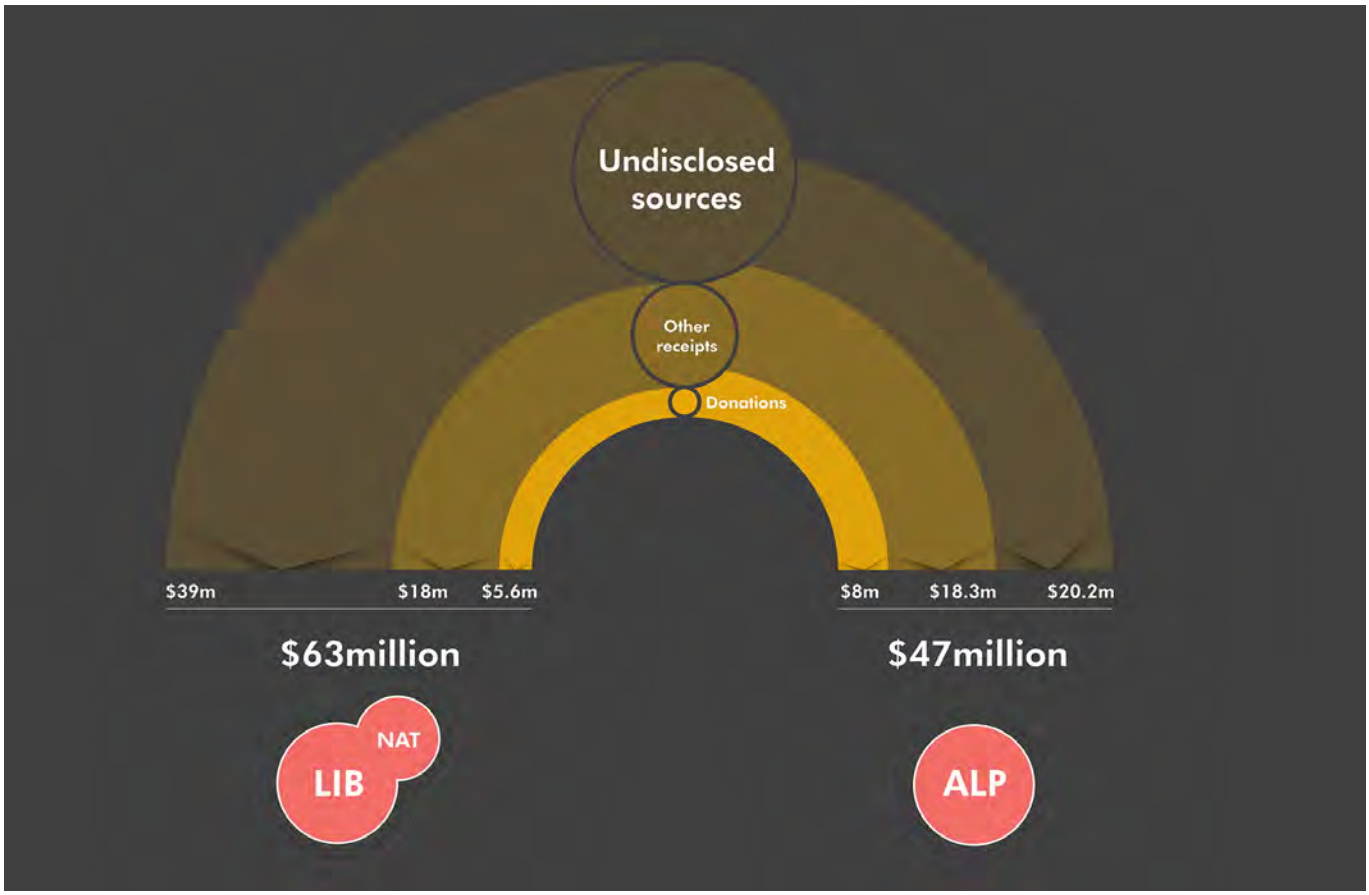

Figure 4: donations and dark money
Grattan Institute analysis of the 2020/21 financial disclosures showed that huge sums of money from undisclosed sources are flowing to the major parties.

https://grattan.edu.au/news/we-need-to-know-more-about-who-donates-what-to-our-political-parties/

11 Associate Professor Joo-Cheong Tham, Submission 3 – Attachment 2, p. 15
https://www.aph.gov.au/DocumentStore.ashx?id=1352f1d0-432c-4dc7-b2c3-a3eca9d13ced&subId=516359

2.1.2 Political donations and dark money

Federally, Australia's electoral funding and disclosure regime is established under Part XX of the Electoral Act.[12]

According to the Centre for Public Integrity, Australia's major political parties received more than $4.2 billion across two decades. Nearly $1.5 billion of this was undisclosed, or 'dark' money that can't be traced to a source[13]. Just five donors were responsible for nearly $300 million in donations to the major parties[14].

The opaque national donations disclosure regime has several characteristics that are readily exploited. It is uncapped, meaning there is no upper limit to the amount of money a donor can disburse or a candidate can receive. The source of amounts below $14,500 don't need to be declared, and multiple donations below this threshold can be made to state and territory branches of the same party without needing to disclose the total.

Reporting only occurs annually, when the Australian Electoral Commission (AEC) publishes returns each February, long after the funding sources of any given election campaign have ceased to be topical.

These loose rules are also subject to lax enforcement, with the Australian National Audit Office concluding in 2020 "the AEC is not well placed to provide assurance that disclosure returns are accurate and complete".[15]

2.1.3 Associated entities, third parties and political campaigners

A lot of focus is given to direct donations to political parties, but that's not the whole picture. Australian electoral law recognises three other categories of actors: associated entities, third parties and significant third parties.

Associated entities are organisations controlled by political parties, such as a fundraising body, or which operate to a significant extent for the benefit of a political party. Examples include the Cormack Foundation, an investment fund that is the largest single donor to the Liberal Party, and the ALP-affiliated trade unions that form an important source of campaign funds for the Labor Party.

Four out of five of the largest donors between 1999 and 2019 were associated entities according to the Centre for Public Integrity (the fifth, and largest, was the Clive Palmer-linked Mineralogy Pty Ltd).[16]

Third parties are those organisations not affiliated with any political party which spend more than $14,500 in any given year[17] producing materials with "the dominant purpose of influencing the way electors vote in a federal election".[18] The Australian Christian Lobby and many unions without ALP affiliation fall into this category.

12 Australian Government Federal Register of Legislation https://www.legislation.gov.au/Details/C2019C00103

13 Shining light on political finance for the next federal election, Centre for Public Integrity 2021 https://publicintegrity.org.au/wp-content/uploads/2021/02/Briefing-paper-Hidden-money-2020.pdf

14 Money in politics: a flood of political donations - Centre for Public Integrity 2021 https://publicintegrity.org.au/wp-content/uploads/2021/02/Money-in-politics-a-flood-of-political-donations.pdf

15 Administration of Financial Disclosure Requirements under the Commonwealth Electoral Act - 2020 https://www.anao.gov.au/work/performance-audit/administration-financial-disclosure-requirements-under-the-commonwealth-electoral-act

16 PUP election campaign entirely funded by Palmer-linked organisations, The Guardian 2 February 2015 https://www.theguardian.com/australia-news/2015/feb/02/pup-election-campaign-entirely-funded-by-palmer-linked-organisations

17 Disclosure threshold, Australian Electoral Commission https://www.aec.gov.au/Parties_and_Representatives/public_funding/threshold.htm

18 Third party electoral expenditure and disclosure, Australian Electoral Commission https://www.aec.gov.au/Parties_and_Representatives/financial_disclosure/guides/third-parties/index.htm

Significant third parties are third parties with electoral expenditure of more than $250,000 in any of the previous three financial years.[19] The Business Council of Australia, Australian Chamber of Commerce and Industry and Andrew Forrest's Minderoo Foundation fall into this category.

Some trends are apparent from these disclosures. Firstly, individual donations are heavily skewed to the wealthy. According to the Centre for Public Integrity, "donations over $1 million made up 30% of donations since 1999, but only 0.6% of donors".[20] As the investment theory of party competition suggests, in a contest where the candidate with the most money nearly always wins and a tiny fraction of donors provide most of the funds, there is no equality of franchise: this is the road to oligarchy.

These transactions vary widely between election years and up-years, and reflect the ebb and flow of influence campaigns. Mapping declared donations since 2006 demonstrates two significant peaks coinciding with the toppling of Prime Minister Kevin Rudd over the mining tax in 2011, and a second peak coinciding with the abolition of the carbon price and installation of the Tony Abbott Government in 2013. The 2019 'climate election' broke all donations records principally through Clive Palmer's $83 million intervention aimed at tilting the table in the direction of the Coalition: "The goal for the United Australia Party was to ensure the Labor Government did not get into power," according to Palmer.[21]

Following the money can only ever paint an incomplete picture, as author and political analyst Dr Lindy Edwards points out: "In today's resource-starved media environment, journalists are reduced to identifying the biggest payment that hasn't been split or concealed, and attempting to make hay of those unsophisticated enough to have allowed themselves to stand out".[22]

These networks don't appear on major party websites and there are no published advertisements of membership benefits or calendar of events. The 'membership fees' for these fora are the same for both major parties: $110,000 for platinum membership, $55,000 for the gold tier and $25,000 for silver.

2.1.4 Major party fundraising "forums"

The key site of financial exchange, relationship building and policy advocacy takes place within the major parties' federal fundraising arms. The Liberals call theirs the 'Australian Business Network', Labor's is known as the 'Federal Labor Business Forum' and the National Party bills theirs as the 'Nationals Federal Conference Corporate Observers Program'.

These networks don't appear on major party websites and there are no published advertisements of membership benefits or calendar of events. The 'membership fees' for these fora are the same for both major parties: $110,000 for platinum membership, $55,000 for the gold tier and $25,000 for silver.[23]

Membership benefits include a mix of soft relationship building - end of year drinks, budget night dinners - and opportunities for hard policy advocacy - boardroom policy forums and policy briefing sessions.

19 Who needs to register? Australian Electoral Commission https://www.aec.gov.au/Parties_and_Representatives/financial_disclosure/who-needs-to-register.htm

20 Money in politics: a flood of political donations, The Centre for Public Integrity 2021 https://publicintegrity.org.au/wp-content/uploads/2021/02/Money-in-politics-a-flood-of-political-donations.pdf

21 Clive Palmer claims credit for Coalition's victory, news.com.au 18 May 2019 https://www.news.com.au/national/federal-election/clive-palmer-claims-credit-for-coalitions-victory/news-story/8379d4f63ffcfed6a2cb0905b9140bde

22 Edwards, Lindy. The Truth about Political Donations: What We Don't Know, Michael West Media 2 February 2018. https://www.michaelwest.com.au/truth-political-donations-dont-know/

23 Senate Select Committee into the Political Influence of Donations https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Political_Influence_of_Donations/PoliticalDonations/Report_1

For the purposes of AEC reporting, these transfers are classified as 'membership fees' by the companies and 'other receipts' by the major political parties, allowing all sides to claim they don't make or receive donations.

Platinum members of both parties' fundraising arms in 2019-2020 included Australian Stock Exchange Limited (ASX), Wesfarmers, PWC and Woodside Energy, according to forensic accounting conducted by Michael West Media[24]. Lower tier memberships include a mix of banks, hotel and alcohol interests, resources companies and pharmaceutical giants.

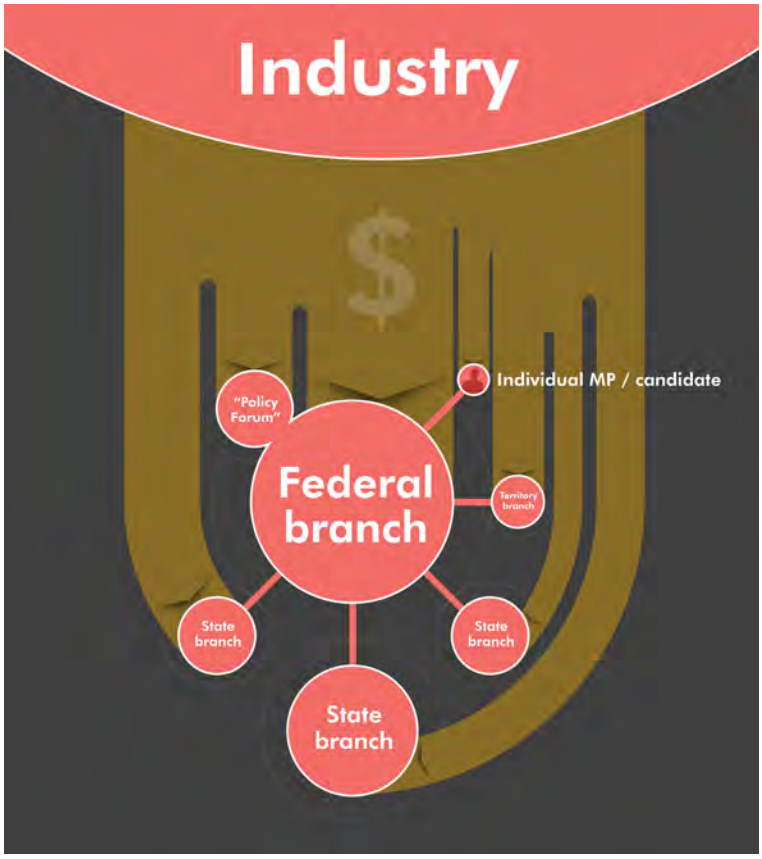

Figure 5: financial flow
Donors are able to hide significant cash transfers by donating amounts below the reporting threshold to multiple party branches, or reclassfying them as subscriptions, membership fees or other transactions.

Macquarie Group told a 2018 senate inquiry into the political influence of donations that membership of these networks "provides financial support to the Government and Opposition, primarily through paid attendance at events and membership of Government and Opposition business forums".[25] Deloitte gave similar evidence: "[w]here we make cash donations to political parties it is for the purpose of membership of political forums allowing the firm to attend certain events and presentations".

The Minerals Council offered a useful window into the transactional nature of these events, outlining to the Senate committee what was on offer for the base level of membership:

"In terms of what we obtain from those, basically it entitles us to membership of those forums. For example, if I take the Federal Labor Business Forum and the $25,000 that we provide there, we're at the base level of full membership there. It allows us to take part in two policy briefing sessions and two boardroom events with members of the federal Labor front bench. A typical one could be with 100 people if it's a big event, or it could be in the nature of a smaller boardroom event where there are probably 14 to 16 people. They come from a variety of industries. It may well entail briefings with a couple of ministers or a couple of parliamentarians rather than just one person."[26]

24 State Capture: top corporations identified as members of both Liberal and Labor parties, Michael West Media 11 March 2021 https://www.michaelwest.com.au/two-party-state-top-corporations-lobbyists-revealed-members-of-liberal-and-labor-parties/

25 Senate Select Committee into the Political Influence of Donations https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Political_Influence_of_Donations/PoliticalDonations/Report_1

26 'ParlInfo - Political Influence of Donations https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22committees%2Fcommsen%2F1287fa32-8742-43fd-b37d-3c7e215cdf71%2F0000%22

The more you pay, the more face-time you get.

Woodside offered the committee a more detailed breakdown of the benefits of subscribing to these party networks: the more you pay, the more face-time you get: "...they have a gold level and a silver level. With the different levels of membership, you will get different amounts of invites. You might only have one person being able to attend or you might not get invites to all of the events, just some of them.[27]"

Less is known about the fee structure and access offered by the National Party, but there are hints: in 2015 their whole Federal Conference was sponsored by Queensland Coal Investments,[28] a company owned by iron ore billionaire Gina Rinehart's Hancock Prospecting.

2.1.5 Individual direct donations

While much of the financial exchange occurs at a systemic level between investor blocs and favoured political parties, there are cases where individuals give or receive funding in an attempt to tilt the political table single handedly. In 2016, facing an effective ALP advertising blitz on Medicare, then Prime Minister Malcolm Turnbull donated more than a million dollars to the Liberal Party's struggling election campaign[29]. In 2013 and again in 2016 and 2019, Clive Palmer leveraged his companies' financial firepower to electoral ends. In the 2013 election his party won a seat in the House of Representatives and four Senate seats. While Palmer's presence in the House was little more than theatre, his crossbench senators provided the swing votes for the repeal of most of the Clean Energy Act[30]. In 2021, alleged rapist and former Attorney-General Christian Porter received an undisclosed (but likely six figure) personal donation through a blind trust to assist with legal fees, with no obligation on the donors to disclose either their names or the size of the donation[31].

The cumulative effect is a disclosure regime that is opaque, uncapped and easily gamed. "Australia's financial disclosure system is one of the worst in the world taken from the central objective of ensuring that the voter knows, at the time of voting, who is funding whom and by how much," according to former Australian Electoral Commissioner Ed Killesteyn[32].

27 Select Committee into the Political Influence of Donations https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Political_Influence_of_Donations/PoliticalDonations

28 Comment: Connections between Australian Politics and Coal Lobby Run Deep, SBS News 16 September 2015 https://www.sbs.com.au/news/comment-connections-between-australian-politics-and-coal-lobby-run-deep

29 Malcolm Turnbull mocked over $1 million election campaign donation, news.com.au 15 July 2016 https://www.news.com.au/national/federal-election/malcolm-turnbull-mocked-over-1-million-election-campaign-donation/news-story/c3d2d11701e1be8018c966df67fc229c

30 PUP senators will vote to repeal carbon price but back emissions trading, The Guardian 25 June 2014 https://www.theguardian.com/world/2014/jun/25/pup-senators-will-vote-repeal-carbon-price

31 Honest' Christian Porter's mystery donation is totally not suspicious, Independant Australia 15 September 2021 https://independentaustralia.net/politics/politics-display/honest-christian-porters-mystery-donation-is-totally-not-suspicious,15519

32 Clive Palmer's Mineralogy donates $75,000 to National Party amid disclosure typo confusion, ABC News 1 February 2021 https://www.msn.com/en-au/news/australia/aec-election-donation-data-shows-millions-given-to-political-parties-as-former-chief-slams-reporting-rules/ar-BB1dgzO2

2.2 Lobbying and personal influence

"We seem to have thought the registration of lobbyists was one step to making them an acceptable part of the process. Like registering travel agencies, to give them a specious credibility. But all you have to do to become a lobbyist is fill out a form. There's no ethical check. We make a mistake in thinking lobbyists are an acceptable part of our democratic process."

- Geoffrey Watson, SC

Direct contact between industry and policymakers occurs on many levels with only some of them subject to regulation. An ecosystem of specialist lobbying firms, insiders and public relations (PR) consultants serve smaller or emerging companies, or those with particular needs such as the Adani Group or Glencore's 'Project Caesar', described as "a secret, globally coordinated campaign to prop up coal demand by undermining environmental activists, influencing politicians and spreading sophisticated pro-coal messaging on social media".[33]

The largest companies more commonly represent their interests directly, through government affairs departments and chief executive officer (CEO)-level engagement with senior politicians, public servants or crossbenchers. The pay-to-play major party 'business forums' are a key site of this kind of direct advocacy.

In addition, peak bodies represent the collective interests of whole sectors, combining inside-track lobbying functions with broader media and public relations strategies.

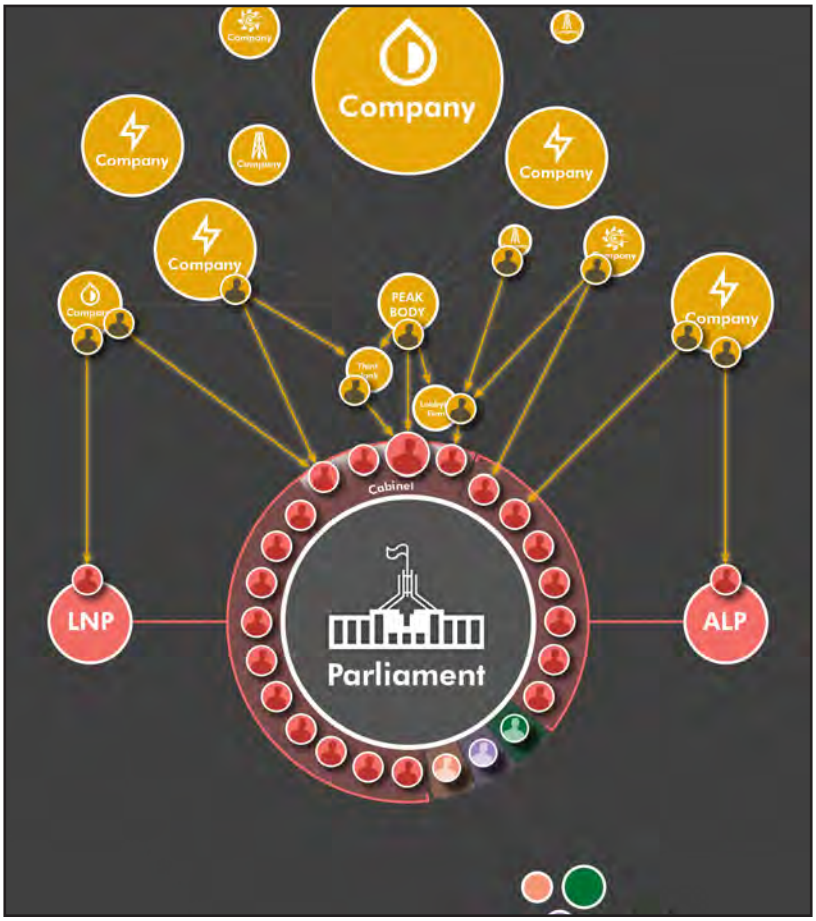

Figure 6: lobbying pathways
Lobbying occurs through direct contact with politicians by companies, lobbying by peak bodies & industry associations, or via specialised lobbying firms.

Lastly, informal and invisible lobbying is conducted through direct contact via social networks, golf, exclusive clubs, site visits and industry functions. As Dr Adam Lucas described in a 2021 paper on corporate state capture: "industries have carefully constructed and cultivated personal relationships with senior officials in the major political parties and key bureaucracies over many decades. These are deep political relationships which are not dependent on the reliability and availability of particular individuals".[34]

33 Revealed: Glencore bankrolled covert campaign to prop up coal, The Guardian 7 March 2019 https://www.theguardian.com/business/2019/mar/07/revealed-glencore-bankrolled-covert-campaign-to-prop-up-coal

34 Investigating networks of corporate influence on government decision-making: The case of Australia's climate change and energy policies

2.2.1 Lobbying Code of Conduct

At the federal level, a non-binding Lobbying Code of Conduct is administered by the Attorney-General's Department (AGD). This responsibility includes maintaining the national Register of Lobbyists established under the Code, which holds records dating back to its establishment within the Department of Prime Minister and Cabinet (PM&C) in 2008. Responsibility passed to AGD in May 2019.

Because the Code has no basis in legislation, there are no penalties for breaches of its vaguely worded provisions other than removal from the register. Paragraph 10.1 requires lobbyists to have filed a statutory declaration to the effect that they haven't been convicted of a serious crime and are not "a member of a state or federal political party executive, state executive or administrative committee (or the equivalent body)".

The register is maintained by one or two staff members. No complaints of code breaches had been reported or actioned since AGD took up responsibility, and in 2020 the Parliamentary Library was unable to find any instances in which a lobbyist had been barred from the register.[35]

The main critique of the register is that it only covers a narrow slice of the lobbying ecosystem. As noted by a 2018 Auditor's report on the operation of the register: "lobbyists who conduct lobbying activities on behalf of a client (third-party lobbyists) are required to apply...to have their details included on the Register. Other lobbyists - such as employees of an in-house government relations team or a non-profit organisation, people making 'occasional' representations as part of their professional roles and trade delegates - are not required to register or comply with the Code."[36] Much of the infrastructure of state capture is thus invisible to the register.

In summarising the lacklustre operations of the Code as a "tepid gesture towards transparency", University of Melbourne Professor Joo-Cheong Tham noted "the register fails to disclose who is being lobbied, the subject matter and timing of that lobbying. All this is exacerbated by lax enforcement".

Such lax enforcement does not appear to be problematic for the Department. According to its Secretary, the Lobbyists Register and its Code is "an administrative initiative, not a regulatory regime"[37].

2.2.2 Direct engagement

Direct engagement with MPs and public servants by company CEOs, government affairs personnel or in-house lobbyists - many of them former MPs or advisors - is a significant avenue of corporate influence, operating outside the ambit of the Lobbying Code of Conduct. This conduct ranges from high profile advocacy by individuals such as Clive Palmer, Andrew Forrest or Gina Rinehart to the closed-door meetings between CEOs and senior politicians, and site visits for politicians to be photographed in high-vis and hardhats at joint press conferences.

Adam Lucas 2021 - https://www.sciencedirect.com/science/article/pii/S2214629621003649?dgcid=author

35 Parliamentary Library, response to Senator Larissa Waters, 16 June 2020

36 Management of the Australian Government's Register of Lobbyists, Australian National Audit Office 2018 https://www.anao.gov.au/work/performance-audit/management-australian-government-register-lobbyists

37 Tham, Joo-Cheong. Democracy Before Dollars: The Problems with Money in Australian Politics and How to Fix Them. SSRN Scholarly Paper. Rochester, NY: Social Science Research Network, 1 April 2018. https://doi.org/10.2139/ssrn.3444849

"We would know when a team of (corporate) negotiators were coming to sit down with us because all of the sudden our LinkedIn pages would be getting hit while they do their research," one former senior public servant told the author on condition of anonymity. "The Department's team knows that if negotiations over project conditions stall at any time, (Woodside CEO) Peter Coleman is just going to get on the phone with the Premier and deal direct".

At the local level, company representatives routinely 'deal direct' with local MPs to provide them with electorate-level research on local employment, royalty payments and government revenues arising from an industry's presence. Such research is regularly presented in local community newspapers with a photo of the local MP taking a tour of the local mine, power station or sponsored community hall. While mundane, these transactions sit at the foundation of how social license is leveraged into cross party political support.

2.2.3 Full-service lobbyists

The days when lobbying firms only offered inside-track contact with MPs are long gone. Specialised public relations firms have merged lobbyist roles into full-service research, communications and crisis management consultancies, setting up astroturf (fake grassroots) campaigns and increasingly sophisticated online operations that stretch from the front-line of mining communities all the way into executive government. These functions will be described in more detail in section 2.6, but it's worth pausing to note how the lobbyist's role has been subsumed into the machinery of multi-channel influence campaigns.

The Australian-listed subsidiary of global communications conglomerate WPP bills itself as "the region's leading creative transformation agency and home to many of the industry's most admired agencies. As part of global powerhouse WPP, we have the resources of a company spanning 100 countries".

WPP's government relations branch includes ALP-aligned agency Hawker Britton and LNP-aligned Barton Deakin, two of the most established lobbying and PR firms in Australia, as well as many other communications and corporate strategy agencies. While it appears that ALP or LNP-aligned lobbyists are in competition with each other, the reality is more complex. As journalist Mike Seccombe wrote: "though they might appear to be natural enemies, though they have no common staff and have separate listings with the corporate regulator, the two lobbying concerns share a couple of important things other than an operating model. First, clients: they regularly refer clients to one another. But second, and more importantly, they share an owner".[38]

From the perspective of those paying for these services, such an arrangement makes sense as a form of political insurance. It demonstrates again that the aim of state capture is not simply about controlling a major political party, but exercising a hold over sufficient social and political infrastructure to weather a change of government.

38 Barton Deakin, the Coalition's 'evil twin' lobby firm, The Saturday Paper 4 July 2015 https://www.thesaturdaypaper.com.au/news/politics/2015/07/04/barton-deakin-the-coalitions-evil-twin-lobby-firm/14359320002084

2.3 Revolving doors and personnel exchange

"This was the job-destroying, investment-killing tax which did not raise any revenue. It was a magnificent achievement by the member for Groom in his time as minister reborn, as it were. I hope this sector will acknowledge and demonstrate their gratitude to him in his years of retirement from this place."

- Tony Abbott's pitch to industry on the retirement of Ian Macfarlane

The relationships we've considered thus far mostly assume there is some residual separation between industry and government, mediated by lobbyists. The pattern of influence is much more diffuse, as the phenomenon referred to as the 'revolving door' door between media, industry and government is one of the most important and insidious avenues of state capture.

The boundaries between private and public sectors are so porous that, to paraphrase Naomi Klein, you can't tell where the coal industry ends and the Australian Government begins. As our case studies will demonstrate, this is just as true for the fossil, gas and arms industries.

The revolving door metaphor oversimplifies the career paths chosen by those operating at this level, as noted by Dr Adam Lucas in his study of state capture. "With regard to the career movements of senior politicians, I have previously described this phenomenon as a 'golden escalator' rather than a 'revolving door', because it rarely involves 'backwards and forwards' movements between the public and private sectors, in contrast to the many ministerial staffers who do so with dizzying regularity".

"With regard to the career movements of senior politicians, I have previously described this phenomenon as a 'golden escalator' rather than a 'revolving door'"

- Dr Adam Lucas

Ministers from both major parties routinely accept generous consultancies, lobbyist roles and paid engagements as media commentators immediately after exiting Parliament. After Prime Minister Abbott's on-the-record character reference for his Industry Minister quoted above, Macfarlane joined the board of Woodside and was almost immediately employed as CEO of the Queensland Resources Council. Former Liberal Communications Minister Helen Coonan is the current chair of the Minerals Council of Australia and former Labor Premier of Queensland Anna Bligh is now the CEO of the Australian Banking Association.

The Grattan Institute's 'Who's in the Room' study of 2018 aggregates this direction of flow since the 1990s. More than a quarter of major party federal MPs who served in executive government moved across to peak bodies, lobbying firms or directly into big business in their political afterlife.[39]

While the direction of flow for senior MPs may be mostly one-way, the career paths of senior public servants, consultants and industry figures are frequently more circular between private industry and the public sector.

39 Who's in the Room, Access and Influence in Australian Politics, Grattan Institute, 2018 https://grattan.edu.au/report/whos-in-the-room/

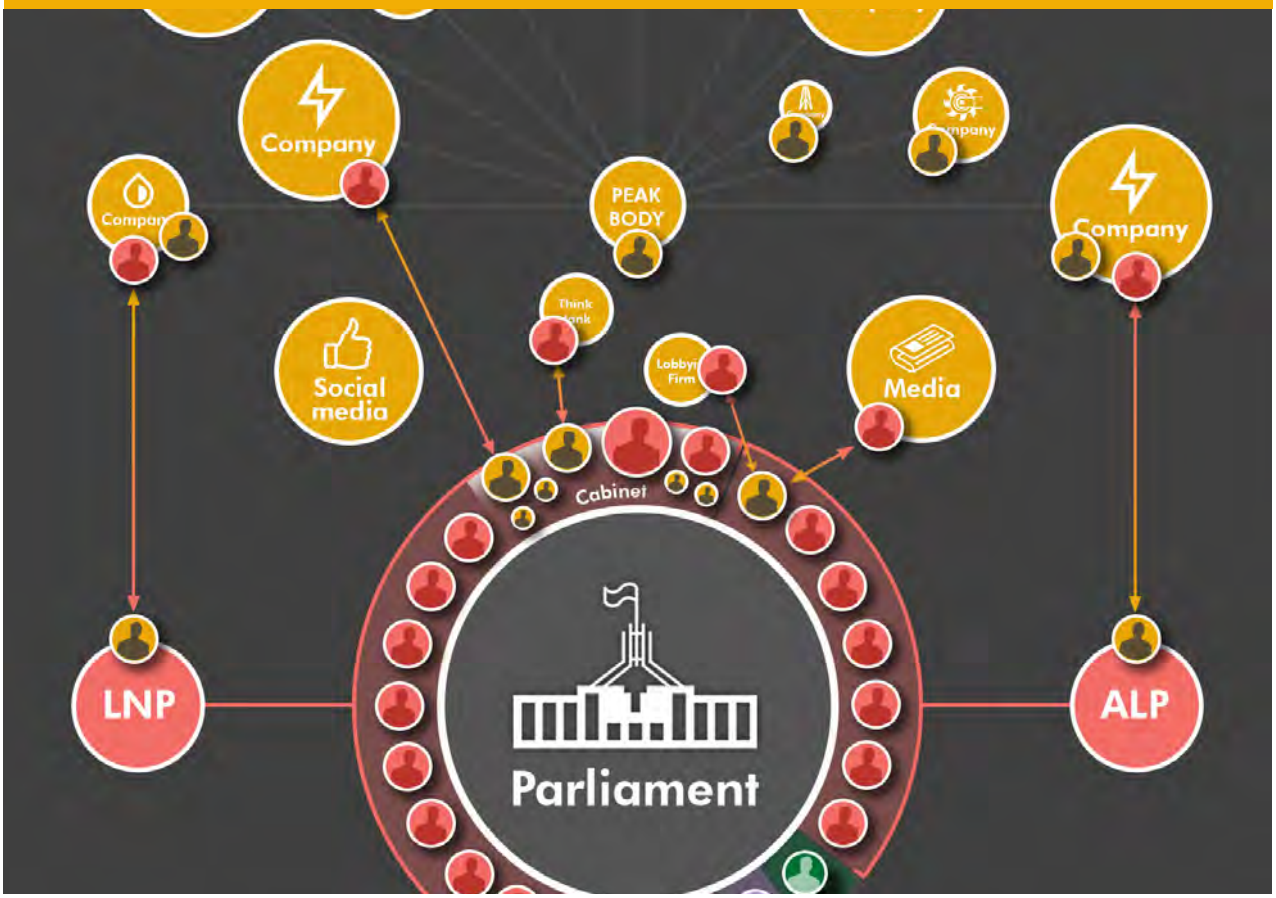

Figure 7: revolving doors
Revolving doors is the colloquial term for the ceaseless career movement between industry, government and the media - one of the most insidious aspects of state capture.

2.3.1 Standards and codes

Two non-enforceable codes of conduct govern these career circuits: the Statement of Ministerial Standards, and the Lobbying Code of Conduct.

Clause 7.1 of the Lobbying Code of Conduct states "former federal Ministers and Parliamentary Secretaries 'shall not, for a period of 18 months after they cease to hold office, engage in lobbying activities relating to any matter that they had official dealings with in their last 18 months in office".[40] This is consistent with clause 2.25 of the Ministerial Code, which states: "Ministers are required to undertake that, for an eighteen month period after ceasing to be a Minister, they will not lobby, advocate or have business meetings with members of the government, parliament, public service or defence force on any matters on which they have had official dealings as Minister in their last eighteen months in office. Ministers are also required to undertake that, on leaving office, they will not take personal advantage of information to which they have had access as a Minister, where that information is not generally available to the public".[41]

Neither of these documents have any basis in legislation: they are non-enforceable statements of principle, and they only apply to those who have served in executive government. A test of their application arose in 2019 with the post-ministerial career choices of Christopher Pyne and Julie Bishop. Pyne's immediate employment with EY and Adelaide-based arms industry lobbyists GC Advisory, and Bishop's directorship with private aid contractor Palladium would appear to be straightforward breaches of both codes. The brief uproar from these appointments resulted in an

40 Attorney-General's Department, Lobbying Code of Conduct https://www.ag.gov.au/integrity/publications/lobbying-code-conduct

41 Department of the Prime Minister and Cabinet, Statement of Ministerial Standards https://www.pmc.gov.au/resource-centre/government/statement-ministerial-standards

internal investigation by the then secretary of the Department of Prime Minister and Cabinet which, on the basis of a phone conversation with each of the former ministers, found that the standards had not been breached.

Boundaries are further blurred when MPs don't wait for resignation before accepting sensitive corporate roles. Former Trade Minister Andrew Robb took up a job with Chinese-owned developer and Port of Darwin owner Landbridge the day before his resignation[42], and former Small Business Minister Bruce Billson was paid for his directorship of lobby group the Franchise Council of Australia months before his resignation as an MP in 2017[43].

The departure in 2020 of Labor MP Mike Kelly directly from the powerful Parliamentary Joint Committee on Intelligence and Security into the arms of Palantir underscores the other key weakness - the Code only applies to ministers, and has no application to other MPs, even those who have spent years on relevant committees.[44] Nor does the Code have application to public servants. Nick Warner, former director-general of the Australian Secret Intelligence Service (ASIS) and director-general of the Office of National Intelligence (ONI) later took up a paid advisory role with the Department of Prime Minister and Cabinet at the same time as working as a 'counsellor' for Dragoman, a Melbourne-based corporate advisory service and lobbying firm.[45]

ABC News reported: "Dragoman's managing director and sole publicly declared lobbyist is former Federal Liberal Party vice-president Tom Harley and its chairman of counsellors is former defence minister Robert Hill, who served during the Howard government".

While the codes of practice governing this 'golden escalator' principally apply to the appearance of due process, there are no equivalent measures to track movements in the opposite direction. The 2019 Greenpeace/Michael West 'Dirty Power' investigation showed the extraordinary degree of industry capture within the Scott Morrison Cabinet, with ex-News Corp figures dominating the communications staff of the senior ministry, and policy and advisory roles stacked with ex-Minerals Council operatives, from the Prime Minister's Chief of Staff on down.

2.3.2 Secondments

Over many years, a trend has emerged of secondments between the public service and industry peak bodies and member companies, where government employees are embedded within major corporations and their industry associations to develop a 'better understanding' of the corporate interest. In exchange, corporate personnel are implanted within the public service. Questions in Parliament from mid-2014 show Treasury officials deployed into the Australian Bankers' Association and BHP, while staff from Rio Tinto, Boston Consulting and the 'big four' professional services companies (examined further below) were embedded within Treasury[46].

More recently, the purpose of the secondments scheme was outlined by Daniel Sloper, Chief People Officer from the Department of Foreign Affairs and Trade (DFAT) to Senator Larissa Waters in a Senate Estimates hearing in March 2020:

42 Coalition defends Andrew Robb after revelation he started job while an MP, The Guardian 6 June 2017 https://www.theguardian.com/australia-news/2017/jun/06/coalition-defends-andrew-robb-after-revelation-he-started-job-while-an-mp

43 Bruce Billson, former Liberal minister, failed to disclose salary from lobby group while in parliament, ABC News 8 August 2017 http://www.abc.net.au/news/2017-08-08/bruce-billson-sorry-for-not-disclosing-salary-from-lobby-group/8785174

44 Data company that 'helped locate Osama Bin Laden' recruits former Labor MP Mike Kelly, ABC News 10 May 2020 https://www.abc.net.au/news/2020-05-10/outgoing-labor-mp-mike-kelly-takes-new-job-security-company/12229842

45 Former intelligence boss Nick Warner joins lobbying firm while working as a consultant for Prime Minister's Department, ABC News 13 February 2021 https://www.abc.net.au/news/2021-02-13/former-boss-office-national-intelligence-job-political-lobby/13148216

46 Senate Economics Legislation Committee - Answers to questions on notice by Senator Whish-Wilson - Treasury Portfolio Budget Estimates 3 June to 5 June 2014

"We have a relationship with a number of business organisations and others where we feel there's a common interest...Typically, in both the Minerals Council of Australia but also in other similar organisations where we have these arrangements, we work on issues where they intersect with trade and investment promotion, which is, as you would understand, a key part of our department's operations. We find the staff on return have a better understanding of the industries with which we work".[47]

These secondments are not limited to Treasury or DFAT, as advised by Attorney-General George Brandis in 2016:

"PM&C is participating in the Business Council of Australia (BCA) Secondment Programme managed by the Australian Public Service Commission. This initiative sees members of the Senior Executive Service (SES) complete secondments with BCA member companies to improve engagement with the business sector and expand the individual's understanding of their operations."

On taking the role of Public Services Minister in 2018, Senator Matthias Cormann announced his newly appointed Public Service Commissioner Peter Woolcott would be working to inject public servants into private enterprise in order to "build understanding and familiarity across the different sectors in our economy and to improve the capacity to link up on all sides".

There may be merit to secondments that see the public service and decision makers becoming more familiar with the policy consequences and experience of constituent populations. Current arrangements appear to benefit a select few sectors and interests.

2.3.3 Delegations

Senior politicians and public servants commonly lead official delegations to prospective markets, adding political and diplomatic gravitas to commercial pitches. Prime Minister Scott Morrison was scheduled to accompany Whitehaven Coal executive and former National Party leader Mark Vaile to India in January 2020, a trip postponed because 186,000 square kilometres of Australia's eastern seaboard was on fire at the time.

How such delegations are staffed, scheduled and prioritised is ambiguous, with responsibility divided between the Minister of Trade and the Prime Minister's office. Austrade is the main point of contact, with an expression of interest portal on their website outlining a self-nomination process:[48]

"Express your interest: Australian business leaders are invited to express an interest in joining these delegations. Complete the form to express your interest. Your expression of interest does not guarantee participation, and selected participants are expected to meet their own costs...."

Some examples of business delegations include: A small group of senior Australian business leaders, accompanying a Prime Minister or Minister on a short visit to just one or two locations. Visits such as these facilitate connections to high level government contacts and foreign business leaders."

Agency capture by the resources sector has guaranteed that senior executives are able to bypass this nomination process, and regularly participate in delegations with the Prime Minister and the Minister for Trade.

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47 ParlInfo - Foreign Affairs, Defence and Trade Legislation Committee : 05/03/2020 : Estimates : FOREIGN AFFAIRS AND TRADE PORTFOLIO : Department of Foreign Affairs and Trade. https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;adv=yes;orderBy=customrank;page=2;query=Dataset%3AcomSen,estimate%20Dataset_Phrase%3A%22estimate%22;rec=3;resCount=Default. (accessed 22 June 2020).

48 Australian Trade and Investment Commission website http://www.austrade.gov.au/Events/Ministerial-Led-Business-Missions/eoi

2.4 Institutional repurposing

A key signature of state capture is the hollowing out and repurposing of institutions established to serve the public good. Repurposing is mainly undertaken in a gradual process of incremental reforms, revolving door appointments and slow cultural drift in which the agency is gradually unmoored from its stated purpose.

According to the authors of Shadow State: "the repurposing of state institutions is the organised process of reconfiguring the way in which a given institution is structured, governed, managed and funded so that it serves a different purpose from its formal mandate".[49]

In recent history, Australian national security agencies have been tasked with spying on the cabinet deliberations of friendly nations for the commercial benefit of the gas industry. Fully captured agencies eventually become indistinguishable from publicly funded arms of industry. The Australian Petroleum Production & Exploration Association (APPEA) works with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) in an alliance known as GISERA (Gas Industry Social and Environmental Research Alliance) where gas industry-funded research evaluates the social and environmental impacts of gas. Another example is the Australian War Memorial's slow transformation into a marketing platform for military contractors. Austrade, which acts as a diplomatic extension of industry sales departments, and the Office of Defence Industry Support (ODIS) which interfaces industry with military procurement, illustrate agencies further down the curve.

2.4.1 Regulatory capture

Regulatory capture is a well studied phenomenon that can be considered a subset of institutional repurposing, arising when the functions of a public sector regulator are co-opted by the sector they were established to regulate.

According to former Clinton-era presidential science advisor Frank Von Hippel, writing in the New York Times in the aftermath of the Fukushima disaster: "Nuclear power is a textbook example of the problem of 'regulatory capture' - in which an industry gains control of an agency meant to regulate it. Regulatory capture can be countered only by vigorous public scrutiny and Congressional oversight, but in the 32 years since Three Mile Island, interest in nuclear regulation has declined precipitously".[50]

Industry's desire for regulatory capture is so ubiquitous that it was formalised decades ago as a basic assumption within orthodox economics: "as a rule, regulation is acquired by the industry and is designed and operated primarily for its benefit...We propose the general hypothesis: every industry or occupation that has enough political power to utilize the state will seek to control [market] entry," according to Chicago school economist and Nobel laureate George Stigler in 1971[51].

The ubiquity of this behaviour places the broader phenomenon of state capture in its proper context. Industries engage lobbyists, seeking regulatory concessions often under the guise of 'self-regulation' and 'co-regulation'.

The election of favoured candidates or influence over public debate doesn't automatically signify a state in the throes of capture: it's just how profit-driven entities behave.

State capture operates on a wider canvas, well beyond regulatory agencies. Depending on the context, influence can be projected system-wide into political party candidate selection, multi-year disinformation campaigns, judicial processes and lawfare, attacks on trade union activities and the regulation of non-government organisations.

49 Peter, Camaren, Hannah Friedenstein, Haroon Bhorat, Ivor Chipkin, Lumkile Mondi, Mark Swilling, Mbongiseni Buthelezi, Mzukisi Qobo, Nicky Prins, and Sikhulekile Duma. Shadow State: The Politics of State Capture. Wits University Press, 2018

50 Frank Von Hippel, It could happen here, New York Times I March 23, 2011

51 George J. Stigler, Theory of Economic Regulation https://www.jstor.org/stable/3003160

2.5 Research and policymaking

2.5.1 Formal policymaking

Much of the work of state capture is conducted through legitimate channels, with industry participating in parliamentary inquiries, policy working groups and review processes that are part of routine government consultations. Commenting on the mundane work of these interventions, the Minerals Council of Australia told a 2018 senate inquiry: "Where we spend our time and where we do all the work, frankly, is in being able to prepare submissions, appear at inquiries, arrange meetings directly on specific policy matters".[52]

Unlike other interest groups, major industries have virtually unlimited resources to engage in drafting preferred legislative amendments and generating evidence to inquiries. They are able to cover bases as diverse as Senate inquiries, Productivity Commission reviews or specialised reviews such as Defence White Papers. On some occasions they are given a mandate to write their own terms of reference, ignore conflict of interest safeguards, and appoint trusted allies to key positions, as the gas industry was allowed to do with the 2020 COVID-19 Commission[53]. Responding to the greatest public health crisis of our generation, the Commission's priority recommendation was to open new gas basins via public funding for pipelines.[54]

Policy work and large-scale influence campaigns often go together. The $22 million mining industry blitz against the Minerals Resource Rent Tax in 2013 helped destroy the prime ministership of Kevin Rudd. His successor, Julia Gillard, quickly moved to negotiate a compromise with the companies targeted by the tax. "For Australians, 2013 will be remembered as the year the federal government got duped by the mining industry," according to an editorial in the *Mining Technology* journal. "Gillard, Swan and Ferguson negotiated a deal exclusively with Australia's three biggest mining companies, BHP Billiton, Rio Tinto and Xstrata, while excluding other mining industry stakeholders, state governments and Commonwealth officials from the process".[55]

The campaign meant three of the largest diversified miners in the world were given permission to draft their own tax code, which successfully captured less than 10% of its projected revenue target. Immediately after the larger and more sophisticated resources sector campaign removed the Gillard Government, the tax was abolished in 2014.

This is a high profile example of a ubiquitous part of the policy process. On the rare occasion of a break in bipartisanship affecting an industry sector - such as occurred with the proposed restructuring of Telstra during the establishment of the NBN - industries and their peak bodies lobby the opposition and crossbench heavily, with amendments conveniently pre-drafted for MPs to introduce on their behalf.

52 ParlInfo - Political Influence of Donations https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22committees%2Fcommsen%2F1287fa32-8742-43fd-b37d-3c7e215cdf71%2F0000%22.

53 Exposing the Covid-19 commission, 350 Australia https://350.org.au/exposing-the-covid-19-commission/

54 'Wrong way, go back: Why the Gas-fired Recovery plan will fail to reduce energy prices or create jobs but will increase emissions', Australia Institute, 2021 https://australiainstitute.org.au/report/wrong-way-go-back/

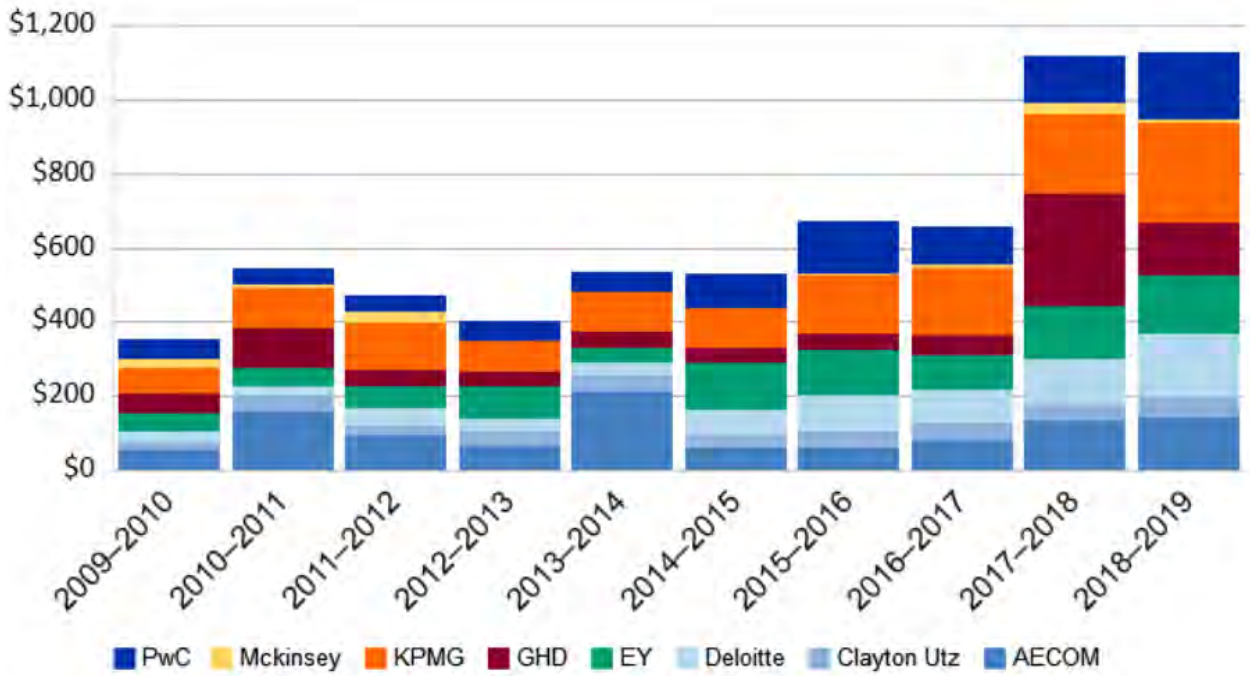
55 Australia's mining tax: how industry outsmarted an unsustainable policy https://www.mining-technology.com/features/featureaustralia-mining-tax-industry-outsmarted-unsustainable-policy/

2.5.2 Outsourcing

The trend toward outsourcing basic government functions to global consultancies is hollowing out the public service and placing an increasing fraction of the budget behind a curtain of 'commercial in confidence'. The surge in outsourcing was highlighted in 2020 by the Australian National Audit Office, which showed that by the 2019 financial year, contracts worth $1.129 billion had been let to professional services companies including the 'big four' - PwC, KPMG, EY and Deloitte.

A 2021 analysis by *The Saturday Paper* showed between January and early October, six of these companies had already been granted $654 million worth of work. As the public sector is starved of funds, staffing and expertise, the cycle accelerates, according to journalist Rick Morton: "Australia is witnessing the self-reinforcing nature of the challenge. As capability declines, the use of external consultants and contractors increases. Typically, little of this outside knowledge is retained by the public service, which contributes to the cycle of depletion".[56]

Figure 8 - Contracts value by significant consultancy services providers: 2009–2010 to 2018–2019 irrespective of consultancies classification - ANAO analysis of AusTender data[57].



Even in cases where the public sector does retain significant expertise - such as with climate and energy policy - outsourcing can still provide a valuable service where a predetermined outcome is required. Despite CSIRO bidding for the work, Mckinsey was granted the tender to model the Morrison Government's net zero strategy in 2021, producing what analyst Ketan Joshi described as an "extremely weird document blatantly designed to protect the interests of Australia's fossil fuel industries while creating the illusion of ambitious climate action". [58] Despite being the basis for the government report, Mckinsey's expensive contribution to this exercise was itself never released.

56 How private management consultants took over the public service, The Saturday Paper 9 October 2021 https://www.thesaturdaypaper.com.au/news/politics/2021/10/09/how-private-management-consultants-took-over-the-public-service#mtr

57 Australian National Audit Office https://www.anao.gov.au/work/information/australian-government-procurement-contract-reporting-update-2019

58 Scott Morrison's net zero modelling reveals a slow, lazy and shockingly irresponsible approach to 'climate action, The Guardian 13 November 2021 https://www.theguardian.com/environment/2021/nov/13/scott-morrisons-net-zero-modelling-reveals-a-slow-lazy-and-shockingly-irresponsible-approach-to-climate-action

These same companies also act as the accountants and tax auditors for most of the world's largest corporations, playing a central role in large-scale tax avoidance that blights revenue collection around the world.

"The Big Four are responsible for auditing 98 percent of global corporations with a turnover of US$1 billion or more, and reputedly cost governments and taxpayers around the world more than US$1 trillion in annual revenue," according to Dr Adam Lucas. These functions, in addition to accumulating an ever larger role in hollowing out the public sector, make them a key element in the infrastructure of state capture.

"The Big Four are responsible for auditing 98 percent of global corporations with a turnover of US$1 billion or more, and reputedly cost governments and taxpayers around the world more than US$1 trillion in annual revenue."

- Dr Adam Lucas

2.5.3 Industry-funded think tanks

While the minutiae of tax law and regulatory instruments are commonly written directly by the companies and their industry associations, the broader project of crafting an industry-friendly policy environment is handled by a different part of the ecosystem: think tanks. The Think Tanks and Civil Societies Program at the University of Pennsylvania maintains a database of 11,175 think tanks operating around the world with 2,203 in the US and 45 in Australia. According to their Index Report: "Think tanks are public policy research analysis and engagement organizations that generate policy-oriented research, analysis and advice on domestic and international issues, thereby enabling policymakers and the public to make informed decisions about public policy".[59]

This description encompasses everything from specialised policy shops attached to universities (such as the Think Tanks and Civil Societies Program itself), to government-funded entities like RAND Corporation, or the independent public-interest research conducted by the Australia Institute. In all cases, part of the value of research prepared by think tanks lies in its perceived independence. "Think tank directors generally agree that their key role is to bridge the gap between other sources of information – such as media and academia – and policymakers," according to an analysis for the Sydney Morning Herald[60].

The largest establishment think tanks in Australia include the Lowy Institute, the arms industry and government-funded Australian Strategic Policy Institute (ASPI), the Grattan Institute and the Australian Institute of International Affairs (AIIA). A think tank can be whatever its backers say it is: "You now hear the expression used to describe everything from the majesty of the RAND Corporation with its 1600 staff and budget of $260 million to a couple of part-time bloggers with some strong views," according to AIIA national president Allan Gyngell.

59 James G. McGann, 2020 Global Go To Think Tank Index Report - https://repository.upenn.edu/think_tanks/18/

60 'Making the radical seem reasonable': what is a think tank?, The Sydney Morning Herald 7 January 2020 https://www.smh.com.au/national/making-the-radical-seem-reasonable-what-is-a-think-tank-20191202-p53g3m.html

It is the perceived independence and trustworthiness of the larger institutes that is leveraged by industry-funded think tanks to perform a key function within the state capture ecosystem. Their role is to launder industry-friendly policy work into an appearance of arms-length independence...

It is the perceived independence and trustworthiness of the larger institutes that is leveraged by industry-funded think tanks to perform a key function within the state capture ecosystem. Their role is to launder industry-friendly policy work into an appearance of arms-length independence, titling themselves 'research fellows' or 'adjunct fellows', with much of their work presented as a simulacrum of peer-reviewed journal articles. This research can lie anywhere along the spectrum from selective to outright disinformation.

The pipeline for such fee-for-service 'research' is for a company or peak body to commission a piece of work which will appear under the name of the think tank, to write it and then place it with friendly media outlets to drive debate.

This method has been perfected by the Coalition-aligned Institute of Public Affairs (IPA). Founded in 1943 by business interests including Keith Murdoch (father of Rupert), it was, according to a 2017 study by Norman Abjorensen the IPA: "the driving organisational and ideological force behind the formation of the Liberal Party and the architect of a stream of propaganda that sought, successfully, to discredit Australia's very moderate Labor Party as a socialist tiger waiting to pounce once the war had ended".[61]

IPA alumni rotate through state and federal parliaments at high frequency; Senator Mitch Fifield, James Patterson, Tim Wilson for the LNP; crossbench Senators Bob Day and David Leyonhjelm just in the past decade. The IPA's funding sources are opaque but are believed to have included the tobacco industry, the resources sector and Gina Rinehart.[62]

The IPA and sister organisation the Centre for Independent Studies have been successful in auspicing the passage of extremist ideas from the margins into the centre of public discourse, exercising a clear 'radical flank effect' on public debate within more moderate organisations. The key to their success is that the work is not intended for academic debate, but to provide the raw material for public influence campaigns.

61 The wartime origins of the culture wars, Inside Story 7 March 2017 https://insidestory.org.au/the-wartime-origins-of-the-culture-wars/

62 The think tanks shaping Australia, The New Daily 10 June, 2019 https://thenewdaily.com.au/news/national/2019/06/10/institute-of-public-affairs/

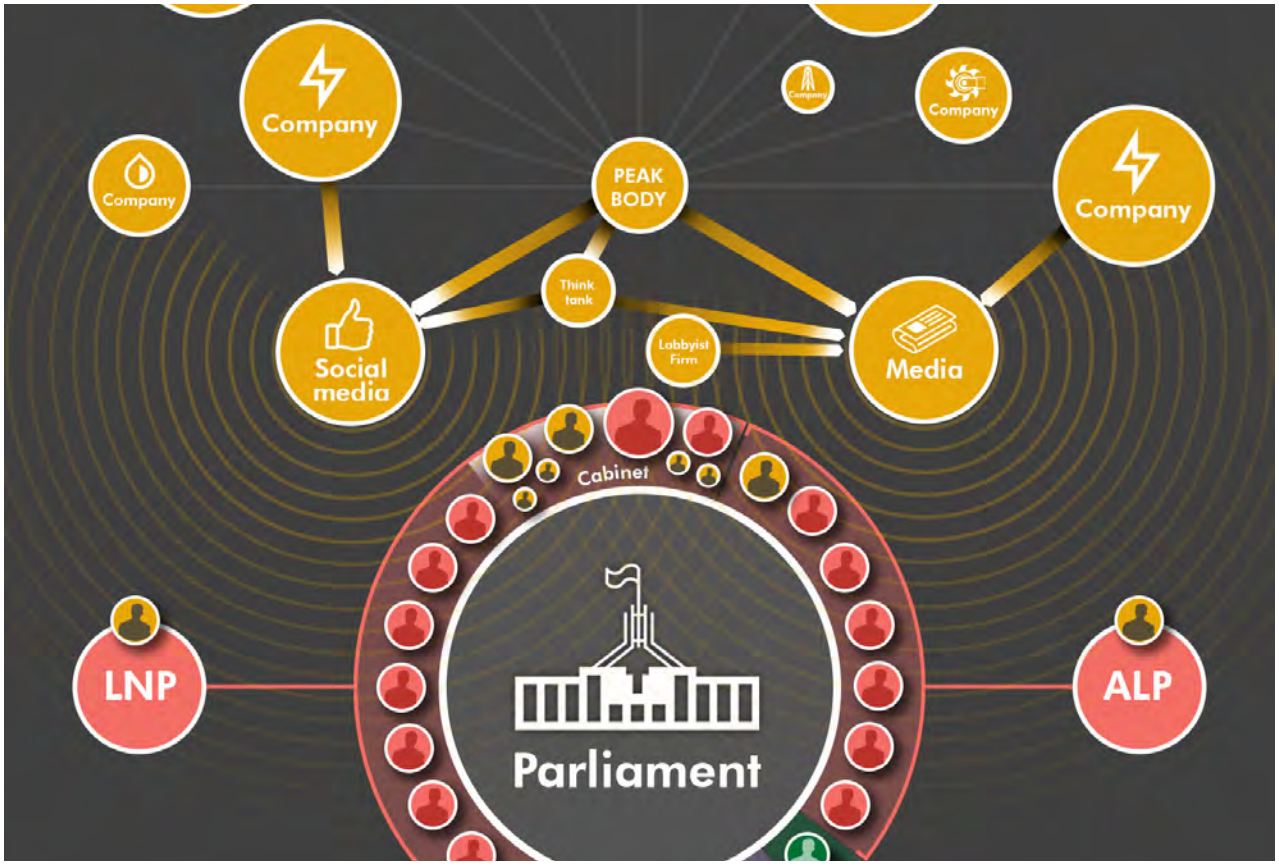


Figure 9: Public influence campaigns orchestrated by industry groups via a specialist ecosystem of think tanks and communications consultancies, broadcast through traditional media platforms and online.

2.6 Public influence campaigns

"Chair: Do you believe that the Murdoch empire is a cancer on democracy?

Mr Rudd: I've used this term a lot and I mean it, because what a cancer does is it incrementally eats away at the political fabric, like a cancer does to your body unless excised or treated."

Kevin Rudd[63]

Much of what we've covered thus far has been inside track: the lobbying, the cash-for-access 'business forums', the slow hollowing out of the public service. The other limb of these operations are those on the public track: the influence campaigns coordinated by industry, its peak bodies and a specialist ecosystem of public relations companies and media incumbents.

A well resourced, legally protected and independent media is one of the key institutional safeguards against state capture.

As expressed in a 2013 report by The High Level Group on Media Freedom and Pluralism in Europe: "Democracy requires a well-informed, inclusive and pluralistic public sphere; the media are, to a large extent, the creators as well as the 'editors' of this public sphere. In this they become the holders of considerable power and may come to assume the status of a 'fourth estate' within society".[64]

In post-apartheid South Africa, enough media independence remained to perform a robust investigative role, despite the ruling clique's attempts at suppression.

63 Kevin Rudd; Senate Committee testimony, 19 February 2021 https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22committees%2Fcommsen%2Fb8ad93e9-fb7d-4dce-89ef-c06910406e95%2F0000%22

64 A free and pluralistic media to sustain European democracy, The Report of the High Level Group on Media Freedom and Pluralism, 14 February 2013, https://issuu.com/fondspascaldecroos/docs/hlg_final_report

"Conducted in parallel with the extremely dangerous phenomenon of 'state capture', the process of consolidating our democracy is endangered by 'media capture' and the incremental obliteration of critical voices," wrote South African opposition politician Helen Zille[65].

In Australia, elements of the media play contradictory roles, with some obliterating critical voices from dissidents to Prime Ministers, while others create a window through which the operations of state capture can sometimes be clearly seen.

2.6.1 Traditional media

Although suffering savage budget cuts in recent years[66], Australia has a strong tradition of public broadcasting and relative press freedom, but as Reporters Without Borders (RSF) noted: "despite appearances, press freedom is fragile in Australia".[67] The findings of the December 2021 Senate Inquiry into Media Diversity went further: "the current regulatory environment for news media is weak, fragmented, and inconsistent. As a result, large media organisations have become so powerful and unchecked that they have developed corporate cultures that consider themselves beyond the existing accountability framework".[68]

Private media companies are caught between collapsing advertising revenue at the hands of social media giants, a punitive defamation regime and increasingly repressive legal restrictions in the name of 'national security'. In addition, publishers must contend with a dysfunctional Freedom of Information (FoI) framework, government attacks on whistleblowers, police raids on media premises and the ever-expanding shroud of material classified as 'commercial in confidence.'

Australia suffers from highly concentrated media ownership, with commercial press and broadcast dominated by three media giants - Rupert Murdoch's News Corp with 59% of the metropolitan and national print media market readership, Nine Entertainment (an agglomeration of the media assets of the Packer and Fairfax families) with 23% readership share, and billionaire Kerry Stokes' Seven West Media. The dominance of News Corp and Nine's media ownership extends beyond print to other media platforms. Just three corporations - News Corp, Nine, and Southern Cross Media (and their associated entities) - control almost 90% of the lucrative metropolitan radio licences across the country. The predominance of News Corp in cross-media settings is unprecedented in liberal democracies. In addition to its dominance in print readership and radio, it owns Foxtel - Australia's only subscription broadcasting service in practical terms - reaching an estimated audience of over 5 million people per week. As a result, News Corp earns 40% of total Australian television revenues - combining free-to-air television advertising and subscriptions - almost double that of Nine.[69] "This oligarchic media model, in which media outlets focus above all on cost-cutting and profits, constitutes an additional curb on public interest investigative journalism[70]," according to RSF.

65 Media capture and Iqbal Survé https://www.biznews.com/undictated/2019/04/15/media-capture-iqbal-surve

66 The ABC has had over $600 million removed from its funding over seven years. According to the forecasts in the most recent budget papers,43 the ABC will have had accumulated budget reductions of just over $1 billion by 2023-2024. SBS has also had its budget cut, most significantly in 2015 when it was subject to a $53.7 million cut over five years.

67 2021 Reporters without Borders: Australia https://rsf.org/en/australia

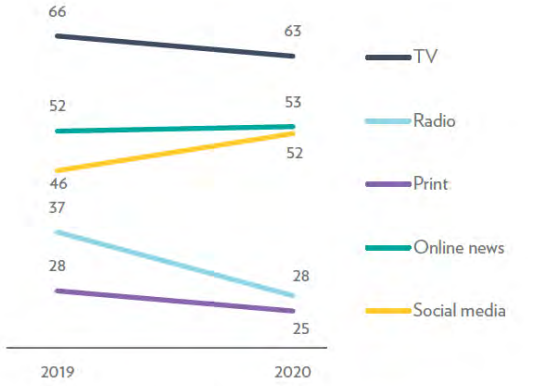
68 Senate Environment and Communications Inquiry into Media Diversity in Australia, December 2021, Executive Summary, https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Mediadiversity/Report

69 Who Owns the Media, Submission by Brevini and Ward to Media Diversity Inquiry, Senate Environment and Communications Committee, January-August 2021 https://www.aph.gov.au/DocumentStore.ashx?id=7a5097b5-c52c-4465-8ee3-64ed6290473c&subId=701301

70 Reporters without Borders: Australia https://rsf.org/en/australia

Such tight control over voice share allows powerful industry sectors to run disciplined campaigns to sway policy decisions, shape election campaigns and destroy careers.

In evidence given to a Senate inquiry into media diversity in Australia in February 2021, former Prime Minister Kevin Rudd spoke of the fear of the firepower of the Murdoch press shared by himself and former Prime Minister Malcolm Turnbull: "because of their capacity to not just determine the national agenda and conversation on a given day or week, fully deploying the heavy artillery of 70 percent of print ownership to do so, but also then go after you individually if in any way you rock the boat in terms of their core monopolistic interests or the ideological projects which they are so wedded to".[71]



[Q3] Which, if any, of the following have you used in the last week as a source of news? Please select all that apply.

Figure 10: general source of news (%)

The Canberra University News & Media Centre's 2020 Digital News report (figure 10)[72] gave a snapshot of where people were going for their news and current affairs, showing television is still the most important single channel, but only if online news and social media are treated separately.

We are a long way from the days where influence campaigns would play out solely on the pages of broadsheet newspapers and talkback radio.

In 2021, the Murdoch-owned attack channel Sky News Australia had reached two million Youtube subscribers, compared to only 1.5 million subscribed to the ABC.[73] State capture is now increasingly online.

2.6.2 Digital news and social media

There were 18 million social media users in Australia in January 2021, or 71% of the population. More than 16 million people used Facebook in any given month, 15 million used Youtube, an additional nine million used Instagram (owned by Facebook) and 5.3 million used Twitter[74].

In addition to the news programming by mainstream media organisations packaged for online delivery, the internet has ushered in a huge proliferation of new entrants, from Crikey to the Guardian's online-only Australian edition, but surveys of news consumption online reliably show traditional media incumbents news.com.au, the ABC, 7 and 9 as the most visited news sites.

Amazon, Facebook and Youtube have all developed complex algorithms to determine what content is seen and recommended to users, creating a drift toward more sensationalist, extreme and clickbaity material making it to the top of newsfeeds. "Tech companies have a very simple business model: the more engagement their algorithms drive, the more money they make. Extremist content, terrorist content, or any other type of divisive content are the best generators for this," according to Dr Hany Farid, a professor at the University of California, Berkeley[75].

For the small cluster of PR firms, think tanks and communications consultancies working to sanitise the image of harmful industries, undermine trust in the climate science community or create a constituency for a new war, these social media dynamics are a godsend.

71 Kevin Rudd; Senate Committee testimony, 19 February 2021 https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22committees%2Fc

72 The Canberra University News & Media Centre's 2020 Digital News report https://apo.org.au/node/305057

73 Swedish streamer and shitposter PewDiePie has 110 million subscribers, for comparison

74 Australian Internet Statistics 2021 https://prosperitymedia.com.au/australian-internet-statistics/

75 U.S. Senate Subcommittee Examines Role Algorithmic Amplification Plays In Driving Extremist Content https://www.counterextremism.com/blog/us-senate-subcommittee-examines-role-algorithmic-amplification-plays-driving-extremist-content

2.6.3 Disinformation and dark PR

The age of surveillance capitalism has brought with it an ocean of data on our personal consumption habits, political views, relationships and financial patterns of life. This is the raw material of what industry refers to as precision marketing: "Precision marketing (also sometimes referred to as personalized, data-driven or one-to-one marketing) enables personalized connections with consumers by understanding who they are at scale and becoming familiar with their paths to purchase," according to one report by Nielsen[76].

These tools have been adopted by practitioners of 'dark PR' for more political ends. Instead of using it to sell a new brand of shoes, the purpose is "to use every tool and take every advantage available in order to change reality according to our client's wishes," according to a sales pitch by the Tel Aviv-based Archimedes Group[77]. While the objective of more traditional 20th century public relations might be to sway public opinion in a particular direction, the purpose of these campaigns is to unmoor targeted populations from reality itself. This dovetails with the ratchet effect of social media algorithms exposing users to ever-more fringe content, ultimately driving people down disinformation sinkholes which are notoriously difficult to escape.

"When winning the battle of ideas is no longer the objective, and truth is an object of attack, disorientation becomes the defining characteristic of the information environment," according to US analyst Laura Rosenberger. As our case studies demonstrate, a fully engaged influence campaign will engage the entire media ecosystem, from PR firms to traditional media platforms, think tanks like the IPA, senior political and industry figures, and online influencers and grifters with enormous audience reach. Such campaigns were capable of seeding doubt about the cause of Australia's black summer bushfires and are presently laying the groundwork for war between the US and China.

2.6.4 Cultural institutions

One tactic for purchasing social license involves investment in highly visible social and community infrastructure, from local football clubs to Perth's Fringe World Festival. No sporting ground, arts facility or skatepark appears without heavy corporate branding in towns from Karratha to Gladstone. While these investments are only a tiny sliver of commercial revenues, they are a key component of social license and economic dependence in mining communities. These relationships are magnified at the state and national level, with saturation sponsorship of everything from the Australian War Memorial to international sporting teams. For a brief period in 2014, Queensland Police vehicles even bore the Santos logo.[78]

The density of the relationships illustrate the degree of financial dependence of most of the country's most important arts institutions, with budgets and boards of trustees now saturated with corporate influence. In section 3.6 we examine how fossil fuel industries undertake this work, and in section 4.6 we consider how the arms industry does it. In each case, the motivation for such sponsorship is far from benevolent, as one critic noted: "by making small but strategic payments to iconic institutions such as the British Museum or the Paralympic Games, oil giants are able to paint themselves as generous philanthropists. For them, events and exhibitions become the equivalent of advertising billboards, often at a much lower price". [79]

76 Nielsen 2019 - a Digital Giant Awakens https://www.nielsen.com/au/en/insights/report/2019/precision-marketing-in-apac/#

77 2019 POLLS: How Israeli firm 'spread propaganda, manipulated voters on Facebook https://www.vanguardngr.com/2019/05/2019-polls-how-israeli-firm-spread-propaganda-manipulated-voters-on-facebook/

78 Anti-CSG Group Angry Santos Logo Used on Qld Police Cars 8 December 2014 https://www.abc.net.au/news/2014-12-08/anti-csg-group-angry at-santos-logo-used-on-qld-police-cars/5953030

79 What sponsorship buys, Behind the Logos https://www.behindthelogos.org/sponsorship-and-social-license/

Figure 11 - sponsorships and interlocking board memberships between Australian resources sector and cultural and sporting institutions - A Centre for Everything 'Maps of Gratitude' (2019)' https://kumu.io/GdV/fossil-fuels-the-arts#fossil-fuels-the-arts-5

2.7 Acting in combination

While we've considered the six channels of influence as distinct categories, these tactics are generally brought to bear in combination rather than in isolation. Consider one example: in 2019, Indian coal giant Adani and its subsidiaries donated $200,000 to the Coalition in the month after the Australian Government's last-minute approval of a crucial water licence for its Carmichael coal mine[80]. For five years their lobbyists, Next Level Strategic Services, was run by senior Labor strategist Cameron Milner.[81] Adani sponsors everything from the North Queensland Cowboys to the UK Science Museum, maintains a remarkably aggressive social media presence, and hired private investigators to spy on the family of an environmental campaigner.[82] Adani demanded, and won, bipartisan support to weaken the Native Title Act in order to override a Federal Court ruling on Indigenous Land Use Agreements.[83] The company works assiduously to maintain relationships with 'both sides' of politics in order to insure against untoward election outcomes.

State capture works because it is systematic, and more than the sum of its parts. In the following case studies, we test the model described, applying the six channels to the fossil fuel industry and the arms industry.

80 Adani gave $200,000 to Coalition weeks after securing approvals, The Sydney Morning Herald 3 February 2020 https://www.smh.com.au/politics/queensland/adani-gave-200-000-to-coalition-weeks-after-securing-approvals-20200203-p53xak.html

81 Queensland Labor strategist announces he will stop lobbying for Adani, The Guardian 16 October 2017 https://www.theguardian.com/business/2017/oct/16/queensland-labor-strategist-announces-he-will-stop-lobbying-for-adani

82 Private investigator hired by Adani secretly photographed activist's daughter on way to school, The Guardian 28 October 2020 https://www.theguardian.com/business/2020/oct/28/private-investigator-hired-by-adani-secretly-photographed-activists-family

83 Native Title Act changes stuck amid stand-off between major parties, ABC News 11 May 2017 https://www.abc.net.au/news/2017-05-11/native-title-act-changes-wont-pass-until-mid-june/8519174

3. Case study: fossil fuel industries

"We know more about energy policy than the government does. We know more about industry policy than the government does. We know where every skeleton in the closet is - most of them, we buried."

fossil industry lobbyist[1]

Figure 12: fossil fuel industry structure

For the purpose of this case study, 'fossil fuel industries' consist of the threefold alliance of the coal industry (for domestic burning and export to international markets for steel making and coal-fired power), the oil and gas industry (for domestic consumption and export for petrochemicals and gas-fired power) and the domestic electricity sector.

A fourth sector - large energy consumers and the automotive industry - have played a key supporting role in maintaining the incumbency of fossil fuels. While these four sectors have distinct operations, customers and industry associations, they are enmeshed enough to operate as a unified bloc when necessary.

More broadly, the resources sector has leveraged its economic power to political ends since colonisation, constrained only by decades of hard-fought campaigns for land rights, environmental protection, public health and worker safety. As the reality of global warming took hold in the 1990s and governments signed international agreements, fossil corporations tightened their grip.

By the early 2000s their lobbyists within the Australian Industry Greenhouse Network were so confident of their control over the policy process they began referring to themselves as the 'greenhouse mafia'.[2] The control exercised over the John Howard Government through all six of the channels is now a matter of record, as documented by Guy Pearse in ***High & Dry***[3], Marian Wilkinson in ***The Carbon Club***[4] and many others.

With the election of the Rudd Government in 2007 and the incoming Prime Minister's signing of the Kyoto Protocol, industry's control of the policy process was suddenly curtailed. This influence was reasserted decisively during the campaign against the mining tax in 2010 which helped destroy Rudd's prime ministership, followed by the 'Axe the Tax' campaign against the Clean Energy Act which ended Julia Gillard's political career. With the election of the compliant and industry-friendly Abbott Government in 2013 and much of the defiance beaten out of the ALP, fossil fuel companies and their allies now exercise a control over the political process that firmly meets the definition of state capture.

1 The Greenhouse Mafia - ABCTV 4 Corners 2006 https://www.abc.net.au/4corners/the-greenhouse-mafia/8953566

2 ibid

3 Pearse, Guy (2007). High & Dry: John Howard, Climate Change and the Selling of Australia's Future. Penguin (Australia)

4 Wilkinson, Marian (2020). The Carbon Club: How a network of influential climate sceptics, politicians and business leaders fought to control Australia's climate policy. Allen & Unwin

State capture by fossil fuel industries in Australia, the US and other energy intensive economies has deadly repercussions. Despite understanding the consequences of burning fossil fuels, these industries have delayed the transition to clean energy systems by decades, deliberately exposing the world to catastrophic climate change.

Alarm bells are even ringing at the deeply conservative International Energy Agency. Executive director Dr Fatih Birol warns: "The world's hugely encouraging clean energy momentum is running up against the stubborn incumbency of fossil fuels in our energy systems".[5]

3.1 Financial interventions in politics

The fossil fuel industry is a substantial donor to Australia's major political parties through direct contributions andindustry associations like the Minerals Council of Australia (MCA) and APPEA, and via Clive Palmer and other intermediaries. An ACF analysis of the 2020-2021 donations receipts - a non-federal election year - revealed the Coalition received $1.3 million and the ALP received $794,880 from fossil fuel companies - both significantly higher sums than the previous year.

" Woodside was the biggest single fossil fuel industry donor, declaring $232,350 to the major parties. Low Emission Technology Australia (a body that recently changed its name from COAL21) donated $111,500 to the major parties. Other big fossil fuel funders were the Minerals Council ($193,943), Northern Star Resources ($105,500) and Chevron ($74,650),"[6] according to ACF. The true amount was likely larger still - more than one third of the total financial flows into the major parties was 'dark money' with no verifiable source.

This is consistent with the pattern established over several election cycles: donations, gifts and subscriptions surge during election years, with the coal industry somewhat favouring the LNP and the gas industry more heavily bankrolling the ALP. The money pipeline never stops flowing. The gas industry was outspending coal interests two to one in the 2019-2020 financial year.

In return, according to 350 Australia, the gas industry has been offered between $1.4 and $2 billion in new public money from the Morrison Government's 'gas-led recovery' from the pandemic, with even more foreshadowed for new pipelines across the country.[7]

The 2018/19 year's receipts - the period in which the so-called 'climate election' took place - showed fossil fuel companies donated $1.9 million, with the three largest donors to the major parties listed as Woodside, Adani and APPEA. Fossil fuel funding flowed roughly equally to the major parties, with these transactions dwarfed by the $83.3 million spent by Clive Palmer to run advertising heavily critical of the ALP.[8]

Some of the financial flows were indirect. The Minerals Council of Australia made substantial contributions to LNP-associated entities including Enterprise Victoria, John McEwen House and Platinum Circle, Labor-affiliated entities including Progressive Business, and both major party 'business forums'. In addition, high-profile industry advocates including Joel Fitzgibbon were favoured directly through campaign contributions by the MCA[9].

5 Clean energy delayed by 'stubborn incumbency' of fossil fuels, The Age 13 October 2021 https://www.theage.com.au/environment/climate-change/clean-energy-delayed-by-stubborn-incumbency-of-fossil-fuels-20211013-p58zi2.html

6 Fossil fuel industry donates big to major parties - Australian Conservation Foundation 2022 https://www.acf.org.au/fossil-fuel-industry-donates-big-to-major-parties

7 Spreadsheet from 350 Australia, last updated 26 November 2021 https://docs.google.com/spreadsheets/d/1eg7yPRxq0_g0AdJVHUe8aoHAbOoAxCBXlSZId1koh8Y/

8 Fossil fuel money distorting democracy - Australian Conservation Foundation 2020 https://www.acf.org.au/fossil_fuel_money_distorting_democracy

9 Fossil-fuel industry doubles donations to major parties in four years, report shows, The Guardian 12 February 2020 https://www.theguardian.com/environment/2020/feb/12/fossil-fuel-industry-doubles-donations-to-major-parties-in-four-years-report-shows

A roughly even spread of funding to each of the major parties is a warning indicator for state capture. It suggests donors are comfortable that a change of government poses no threat to their interests.

The even-handed nature of these contributions points to the fact that state capture in Australia has two distinct modes of operation. In bipartisan mode, both major parties are funded approximately equally as long as no policy surprises are announced. In the other mode, the network goes on the attack, swamping the Liberal and National parties in cash while funding aggressive public influence campaigns in the media. Analysis of donation receipts between 2006 and 2015 by the Australia Institute confirmed during the period when the ALP was being brought into line over the mining tax and Clean Energy Act, donations were heavily skewed: "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".[10]

A roughly even spread of funding to each of the major parties is a warning indicator for state capture. It suggests donors are comfortable that a change of government poses no threat to their interests. Nonetheless, there is a strong residual affiliation to the Liberal and National parties by corporate Australia, allowing the Coalition to comfortably outspend the ALP by $40 million in the 2019 election campaign.[11] As with at least the last four elections that preceded it, the party that spent the most money won the most seats.

3.2 Lobbying and personal influence

The fossil fuel lobby has been an aggressive and ubiquitous presence within Australian politics for as long as these industries have existed. Its present form has been shaped in opposition to the growing urgency of the climate threat since the late 1980s, with the coal industry joined in recent decades by the rapid growth of the export gas industry.

In September 2021, UK-based analysts Influence Map conducted a detailed study of 50 economically significant companies in Australia, rating their actions, influence over policy, industry associations and stated positions on climate change.[12] The study found within corporate Australia: "none are strategically supporting Australian climate policy in line with the goals of the Paris Agreement...This lack of corporate support for climate regulations in Australia, combined with strategic opposition by the fossil fuel sector, contributes to the continuing failure of the country to implement policy measures aligned with the Paris Agreement".

At a national level, the MCA and APPEA are the two highest profile advocates for the coal and gas industries respectively. The Influence Map study rated the MCA an E+ for their advocacy efforts, and APPEA a D-. Most of the state-based industry peaks scored even worse. It also identified Santos, Origin Energy, Woodside, and AGL Australia as the most politically engaged, noting that all four publicly expressed support for net zero by 2050 while lobbying hard against policies designed to achieve it.

10 The tip of the iceberg - Political donations from the mining industry - Australian Institute 2017 https://australiainstitute.org.au/report/the-tip-of-the-iceberg-political-donations-from-the-mining-industry/

11 Coalition's $165 million war chest that helped Scott Morrison win election revealed - ABC News 2 March 2020 https://www.abc.net.au/news/2020-02-03/political-donations-ahead-of-election-revealed/11923038?nw=0&r=HtmlFragment

12 'Australia: Key Lobbying Updates Jan-Sept 2021', Influence Map, September 2021 https://influencemap.org/report/Australia-Key-Lobbying-Updates-Jan-Sept-2021-1440

Above all, their analysis demonstrated greenhouse-intensive industry lobbies are far more active pursuing growth in the sector than other companies are working to curtail it. With much of the rest of corporate Australia signed up to 'net zero' but doing little to change government policy, the study concluded "the fossil fuel sector's monopolization of climate lobbying is clearly delaying Australian climate policy".

The strength of this influence can be gauged by this sentiment: "These projects need to happen and they need to be a priority. We need final investment for Scarborough by early 2020… The Western Australian government has been working assiduously on approvals for this project". These words were spoken not by a Woodside lobbyist but by the Premier of Western Australia, Mark McGowan, in 2019[13], remonstrating the joint venture partners to "resolve all these issues as soon as possible so that we can get on with it".

In 2020, 350 Australia undertook a study into the gas industry's dominance of Western Australian politics, using Freedom of Information requests to establish when lobbyists had met with ministers and then correlating these dates with known cash transactions through donations. The study found the WA Chamber of Minerals and Energy, Woodside, Chevron and APPEA met with government ministers at least 158 times during key periods between 2017 and 2020, with clusters of donations to the ALP totaling tens of thousands of dollars made within days of major meetings[14].

The agenda APPEA drives in these meetings is outlined in its strategy document *Energy for a Better Australia, Strategic Direction, 2020-22.* APPEA demands low taxes, access to acreage for industry expansion, and relaxed obligations under environmental and planning law, in exchange for "oil and gas enabling renewables" and "gas as an enabler".[15]

In contrast to the disciplined operations of the gas lobby, the coal industry is represented by broader resources sector industry associations including the Minerals Council of Australia that include iron ore and copper producers and many others. As long ago as 2017, prior to Rio Tinto's exit from the coal industry, the Australia Institute noted "only 16 of the MCA's 45 members mine coal at all. Just 3 are entirely focused on thermal coal. The biggest members, BHP and Rio Tinto, derive less than 10% of Australian revenue from thermal coal".[16]

Nonetheless, MCA board allocations and strategic directions are set according to the priorities of the largest donors, which are heavily skewed to the coal industry. BHP and Glencore are two of its largest funders, with more than $3 million apiece contributed in the 2018-2019 reporting period. Yancoal, Peabody Energy, Coal21 and Anglo American all contributed in excess of $1 million in the same period. Since absorbing the Australian Coal Association in 2013, the MCA's heavy emphasis on coal advocacy has caused severe internal tensions within its membership and the departure of high-profile members including AGL.

The MCA's members provided the funding that allowed it to take the lead in bruising campaigns to break the will of the Labor party in government between 2010 and 2013, claiming in its 2013 annual report it was "at the forefront of the debates over the carbon and mining taxes; and their abolition…will be in no small part due to the council's determined advocacy on both issues".

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13 Extract from Hansard ASSEMBLY Thursday, 17 October 2019 https://www.parliament.wa.gov.au/Hansard/hansard.nsf/0/25fca0d3098eed404825849a0020ae4a/$FILE/A40+S1+20191017+p7907b-7927a.pdf

14 Captured State: the influence of the oil & gas lobby in WA, 350 Australia https://350.org.au/captured-state-the-influence-of-the-oil-gas-lobby-in-wa-2/

15 Energy for a Better Australia: APPEA's Strategic Direction 2020-2022 https://appea.com.au/wp-content/uploads/2020/06/APPEA-Strategic-Direction_2020-22-final.pdf

16 What does the MCA stand for? - Australian Institute 2017 https://australiainstitute.org.au/report/what-does-the-mca-stand-for/

The strength of the fossil lobby is built, in part, on a revolving door enmeshment between industry and politics that borders on the surreal.

The MCA's style has changed somewhat since these highly adversarial campaigns, but former CEO Mitch Hooke's 2011 prescription to MCA members remains compelling: "over the period of the past four years, there has been a profound shift in the manner of public policy development and implementation. The new paradigm is one of public contest through the popular media more so than rational, considered, effective consultation and debate".[17]

While the peak bodies lead campaigns on behalf of the major companies, there is an abundance of work for specialised lobbyists and PR companies. Agencies like C|T combine traditional lobbying services by well-connected insiders with research, polling, communications and astroturf campaigns, servicing clients from the Prime Minister's office to Adani, Glencore and APPEA.

Queensland-based agency 'Next Level' offers a glimpse of the kinds of offerings they provide in an increasingly adversarial space, with senior lobbyist Cameron Milner noting: "The experience of the last five years in particular has shown the rise of well-funded and increasingly professional activist campaigns against corporate Australia. The work of [non-government organisations] NGOs and others to increase the political temperature around proposals in an attempt to stymy and delay key projects has seen a far more complex environment for corporate Australia's interaction with governments at all levels".[18]

Milner speaks with 25 years experience as a political insider, including ten months as chief of staff to ALP opposition leader Bill Shorten. In 2017 his company abruptly broke off its five year relationship with Adani when campaigners called into question his role as a strategist for Annastacia Palaszczuk's re-election campaign.[19]

He is one example among many demonstrating that the strength of the fossil lobby is built, in part, on a revolving door enmeshment between industry and politics that borders on the surreal.

3.3 Revolving doors

The absence of meaningful restrictions on executives, lobbyists, politicians and political advisors seamlessly switching positions has been exploited by fossil industries for decades. A database of 160 former politicians, advisors and bureaucrats with links to fossil fuel industries was assembled by Dr Adam Lucas of the University of Wollongong in 2021. He analysed the connections and concluded "these industries have constructed a covert network of lobbyists and revolving door appointments which has ensured that industry interests continue to dominate Australia's energy policy, and that its emissions from fossil fuel use continue to rise".[20]

The study found that six of the 38 former MPs had gone on to establish lobbying firms after their time in parliament, with a larger number of such firms employing dozens of ex-staffers and senior bureaucrats. Corporate boards and advisory positions are populated with former MPs, advisors and their public sector colleagues; peak bodies including APPEA, the New South Wales Minerals Council and the MCA are a prolific source of post-political employment on this 'golden escalator'.

17 Crikey. Mitch's New Public Policy Paradigm Is Just the Old One Continued, Crikey 16 August 2011 https://www.crikey.com.au/2011/08/16/carbon-price-minerals-council-of-australia-mitch-hooke/.

18 The Next Level - Meet our dedicated team - https://thenextlevel.net.au/our-people/

19 Queensland Labor strategist announces he will stop lobbying for Adani, The Guardian 16 October 2017 https://www.theguardian.com/business/2017/oct/16/queensland-labor-strategist-announces-he-will-stop-lobbying-for-adani

20 Investigating networks of corporate influence on government decision-making: The case of Australia's climate change and energy policies - Adam Lucas 2021 https://www.sciencedirect.com/science/article/pii/S2214629621003649?dgcid=author

Ian Macfarlane, immediately after his resignation as Industry Minister in 2016, was hired as the CEO of the Queensland Resources Council and occupies a board position with Woodside.

His ALP counterpart Martin Ferguson almost immediately took up a role as chairman of the APPEA Advisory Council and a non-executive directorship of Seven Group Holdings, owner of Seven West media and major shareholder in Beach Energy. Mark Vaile, former Deputy Prime Minister and leader of the National Party left parliament in 2008 and was the Chairman of Whitehaven Coal by 2012.

The flow in the other direction is just as concerning, not just from fossil industries but from different mouthpieces across the Murdoch stable. In 2019 the Greenpeace/Michael West study 'Dirty Power' provided a snapshot of personnel exchange between the coal industry, the Murdoch press and the Turnbull/Morrison Governments. It demonstrated communications positions across key ministerial portfolios were stacked with at least five ex-Murdoch employees, including two positions in the Prime Minister's office.

The MCA is a similarly rich recruiting ground. John Kunkel, former Deputy CEO of the Minerals Council, is now the Prime Minister's Chief of Staff. Brendan Pearson, former CEO of the MCA, was later an advisor to Mattias Cormann, then appointed a senior advisor to the PM, and is now Australia's ambassador to the Organisation for Economic Co-operation and Development (OECD). The MCA also provided a senior advisor in former Prime Minister Malcolm Turnbull's office.

Dr Lucas' research established that post-political employment in fossil fuel industries skews somewhat towards Liberal and Nationals MPs: "Of the 38 current and former politicians with employment links to the fossil fuel industry, 20 are or were Liberal politicians, 13 were Labor politicians, and five are or were National politicians". However, the striking feature of the revolving door is its bipartisan operation across state and federal levels. 350 Australia's study 'Captured State' analysed the gas industry's reach into Western Australian (WA) politics in 2020, identifying dozens of appointments, including into the highest offices in the state: "[Premiers] Mark McGowan, Colin Barnett, Alan Carpenter and Richard Court all had staff who had worked for APPEA before or after their positions as advisors to the Premiers. A staff member for both Colin Barnett and Richard Court went on to become APPEA's Director of Public Affairs. Alan Carpenter and Mark McGowan's advisor, Kieran Murphy, worked at APPEA between roles in each Premiers' office".

Subsequent to the publication of that report, Former WA Treasurer and Aboriginal Affairs Minister Ben Wyatt retired from politics in 2021 and immediately joined the boards of Rio Tinto and Woodside.[21]

Ownership of fossil fuel assets while serving in elected or advisory roles adds yet another dimension; not spinning the revolving door so much as erasing it altogether. A 2021 analysis by Crikey identified a quarter of the Nationals federal MPs owned shares in fossil fuel companies at the time of their deliberations over symbolic moves toward a net zero emissions policy in the leadup to COP26.[22] At the extreme end of this practice is Queensland billionaire Clive Palmer, who ceased bankrolling his intermediaries in the LNP in 2013 and instead formed his own political party. Palmer-owned nickel and iron ore companies were the largest political donors in 2013-2014, buying Palmer a seat in the House of Representatives and three seats on the Senate crossbench.[23] These Senators provided the crucial balance of power votes to abolish the carbon price and the mining tax in 2014, directly benefiting the companies that had paid for the party's election campaign.

21 Ben Wyatt joins board of Woodside and Rio Tinto, WAMN News 5 June 2021 https://wamnnews.com.au/news/ben-wyatt-joins-board-of-woodside-and-rio-tinto/

22 Holding the country ransom while owning mining shares — guess who? Crikey 20 October 2021 https://www.crikey.com.au/2021/10/20/holding-the-country-ransom-while-owning-mining-shares-guess-who/

23 Clive Palmer company was the single largest political donor in 2013-14, The Guardian 2 February 2015 https://www.theguardian.com/australia-news/2015/feb/02/clive-palmer-company-was-the-single-largest-political-donor-in-2013-14

In 2019 with the future of coal mining a major election issue, Palmer-aligned companies invested a staggering $83 million to push a message that "Bill Shorten will hit us with an extra trillion dollars of taxes and costs".

"Our Shifty Shorten ads across Australia … I think have been very successful in shifting the Labor vote," Palmer commented in the aftermath[24]. With the revolving door distinction between industry and politics obliterated, his proposed Galilee Coal and Rail Project in Queensland is slated to extract 40 million tonnes of thermal coal per year.

3.4 Institutional repurposing

The ability to manipulate the conduct and purpose of government agencies is simultaneously an outcome of state capture, and a key enabler of its slow entrenchment. Repurposing is a process rather than an outcome, and for the fossil sector, everything from prime ministerial trade delegations to land use planning and the tasking of intelligence agencies are up for grabs.

One of the first targets for repurposing are the agencies carrying out environmental impact assessment and Aboriginal heritage protection. While the formal mandate of these agencies at a state and federal level is to assess whether or not projects should proceed, one statement by WA Premier Mark McGowan in a 2019 parliamentary debate on the *North West Gas Development (Woodside) Agreement Amendment Bill (2019)* made clear that the role of agencies is not to assess projects, but to approve them: "The Western Australian government has been working assiduously on approvals for this project".[25]

Repurposing these agencies away from an independent assessment role gives the industry certainty that projects will be approved, while presenting the public with a plausible simulation of due process.

In a rare departure from this practice in 2006, the Western Australian Environment Protection Authority (EPA) advised against the construction of Chevron's massive Gorgon LNG plant on the Barrow Island class A nature reserve off the Pilbara Coast[26]. In the political furore that followed, the then Environment Minister McGowan simply overruled the EPA and approved the project. "I'm confident that everything that can be done to manage the risks is being done," he told reporters.[27]

Repurposing these agencies away from an independent assessment role gives the industry certainty that projects will be approved, while presenting the public with a plausible simulation of due process.

The Australian Renewable Energy Agency (ARENA) and the Clean Energy Finance Corporation (CEFC) have been persistent targets for repurposing by fossil industries. Set up as a complement to the carbon price in 2012, the two agencies were spared from abolition along with the rest of the *Clean Energy Act* in 2014 and have been a thorn in the side of the Government's fossil investors since then. Having failed at multiple attempts to abolish the agencies, the Government attempted repurposing instead. In 2015, Prime Minister Abbott was unsuccessful in attempts to stop the CEFC from funding wind power. In 2020 the Morrison Government proposed the CEFC be permitted to fund loss-

24 Election 2019: Clive Palmer says Scott Morrison can thank UAP's anti-Labor ads for result, ABC News 19 May 2019 https://www.abc.net.au/news/2019-05-19/election-2019-clive-palmer-says-uap-ads-gave-coalition-win/11128160

25 Extract from Hansard ASSEMBLY. Thursday, 17 October 2019 https://www.parliament.wa.gov.au/Hansard/hansard.nsf/0/25fca0d3098eed404825849a0020ae4a/$FILE/A40+S1+20191017+p7907b-7927a.pdf

26 EPA blocks Gorgon's $11b Pilbara LNG Project, Business News 6 June 2006 https://www.businessnews.com.au/article/EPA-blocks-Gorgons-11b-Pilbara-LNG-project

27 WA approves controversial $15b Gorgon Gas project, The Sydney Morning Herald 13 December 2006 https://www.smh.com.au/business/wa-approves-controversial-15b-gorgon-gas-project-20061213-gdp1br.html

making investments in fossil gas power, handing Energy Minister Angus Taylor much greater discretion over fund allocation[28]. Angus Taylor has also issued regulations to force ARENA to fund technologies that are not renewable, like carbon capture and storage (CCS). In early 2021 the National Party proposed rewriting the CEFC's mandate to include investments in nuclear, 'high intensity' coal plants and carbon capture projects.[29]

The repurposing of courts and police to serve industry objectives is one of state capture's most dangerous dynamics. While the courts are meant to operate at arm's length from politics, their role is to interpret and uphold the laws issued by parliaments. In mid-2019 Extinction Rebellion began a series of high-profile actions using lock-on pipes to block roads and railway lines, drawing significant media attention. The Queensland Resources Council (QRC) was quick to condemn the tactic, demanding the state government introduce new laws to ban the devices. Premier Palaszczuk had them fast-tracked and passed by October of that year. "The laws passed the Parliament with an overwhelming majority, including both the Government and the LNP," the QRC noted approvingly the day after the bill's passage.[30]

This isn't an isolated example. The Australian Government has been equally responsive to industry pressure to legislate against 'secondary boycott' actions, when companies decide not to contract or provide insurance or banking services to projects such as Adani's Carmichael coal mine. Commenting on this practice at a QRC conference, Prime Minister Morrison pledged to somehow compel businesses to provide services to coal and gas companies, by law if necessary saying: "Together with the Attorney-General, we are working to identify mechanisms that can successfully outlaw these indulgent and selfish practices".[31]

Criminalisation of protest to protect commercial interests is one of the oldest functions of policing, but the tempo has increased to such a degree around the world that the pattern is now unmistakeable. In the lead-up to the COP26 climate conference in Glasgow, more than 400 climate scientists published an open letter in defence of nonviolent civil disobedience around the world: "It has become abundantly clear that governments don't act on climate without pressure from civil society: threatening and silencing activists thus seems to be a new form of anti-democratic refusal to act on climate".[32]

In Australia, while coal and gas companies don't have their own police and court systems, captured states do. Saying the quiet part out loud in 2017, Government MP George Christensen told Parliament "Some activists threaten lives, including their own, by standing in front of a bulldozer or chaining themselves to critical infrastructure, such as a railway line...such action meets the definition of terrorism in the criminal code".[33]

28 Planned changes to CEFC investments 'dangerous', former CEO says, Renew Economy 13 October 2020 https://reneweconomy.com.au/planned-changes-to-cefc-investments-dangerous-former-ceo-says-51988/

29 Nationals push nuclear power in new attempt to hijack CEFC changes, - Renew Economy 18 February 2021 https://reneweconomy.com.au/nationals-push-nuclear-in-new-attempt-to-highjack-cefc-changes/

30 QRC welcomes new protest laws, Queensland Resources Council media release 25 October 2019 https://www.qrc.org.au/media-releases/qrc-welcomes-new-protest-laws/

31 Scott Morrison slams environmental groups 'targeting' businesses with 'selfish' secondary boycotts, ABC News 1 November 2019 https://www.abc.net.au/news/2019-11-01/scott-morrison-environmental-groups-targeting-businesses-boycott/11660698

32 Open Letter: Stop attempts to criminalise nonviolent climate protest https://docs.google.com/forms/d/e/1FAIpQLSfViJrZmKLdw0oXbnOJgF69eWHZjMKv-bnPKZpl1Df9ayJdwQ/viewform?gxids=7628

33 This Politician Wants Environmental Activists To Be Charged As Terrorists - Buzzfeed 17 October 2017 https://www.buzzfeed.com/aliceworkman/eco-terrorists

3.5 Research and policymaking

The resources sector has exercised a powerful influence over policymaking since colonisation, leading efforts to sabotage a national Aboriginal Land Rights Scheme in the 1970s and demanding the divisive Native Title regime be implemented without any right of veto by Traditional Owners. With the immensity of the climate challenge beginning to take shape in the 1990s, the coal and gas industries went into overdrive.

For 30 years a key strategy has been to infiltrate the policymaking process to help set the terms of the debate. In *Quarry Vision* former Liberal advisor Guy Pearse described how, by the mid-1990s, the Business Council of Australia, Australian Coal Association, Exxon and many others were each paying $50,000 for a seat on the steering committee for the Government's main source of economic modelling, the Australian Bureau of Agricultural and Resource Economics (ABARE). In addition to providing industry-friendly input assumptions to ABARE's economic models, these same companies also commissioned tens of millions of dollars worth of 'independent' economic modelling from ABARE, ensuring that policymakers on all sides of politics were forced to work from a set of assumptions on the costs of a clean energy transition that had no basis in reality. "Predictably, all of this has resulted in a steady stream of reports about the cost of cutting emissions that have lent themselves to misrepresentation," Pearse wrote.[34]

At the same time as the economic modelling was being corrupted, fossil industries were opening up a second front against the earth sciences community. An archipelago of climate denial front groups including the Lavoisier Group, the Australian Industry Greenhouse Network and the Australian Taxpayers Alliance were established, some of them with close ties to the US-based Heartland Institute and Koch brothers affiliates[35]. Arguably the loudest and most persistent vector for denialist 'research' has been the Institute for Public Affairs, which channels source material from overseas and packages it for consumption by Australian policymakers. Even now, the IPA publishes a statement, op-ed or 'research' articles on climate change denial roughly once a week.[36]

The production of industry-funded disinformation occurs alongside a sustained effort to shut down inconvenient research originating from within government itself. The repeal of the *Clean Energy Act* in 2014 took with it the Climate Commission, which had been a reliable source of legible climate science research for the general public until then Environment Minister Greg Hunt abolished it "as part of the Coalition's plans to streamline government processes and avoid duplication of services".[37]

Attention turned to other well-funded sources of information trusted by the public and policymakers alike: the Bureau of Meteorology (BOM) and the CSIRO. The BOM was subjected to a "fever swamp of climate denial" via the IPA, former ABC chairman and Abbott advisor Maurice Newman, and a cohort of climate change deniers platformed by *The Australian* newspaper.[38] Internally, by 2019 the BOM was taking $4.6 million in annual payments for services to the gas industry, with Freedom of Information disclosures indicating climate change was being routinely deleted from presentations on extreme weather events, "to even more fully meet customer needs".[39]

34 Quarry Vision - Coal, climate change and the end of the resource boom - Quarterly Essay March 2009 https://www.quarterlyessay.com.au/essay/2009/03/quarry-vision

35 Heartland Institute's Australian climate denialist backers - Independent Australia 27 May 2012 https://independentaustralia.net/environment/environment-display/heartland-institutes-australian-climate-denialist-backers,4158

36 Climate Change and Energy - Institute of Public Affairs 2021 https://ipa.org.au/research/climate-change-and-energy

37 Abbott shuts down Climate Commission, The Sydney Morning Herald 19 September 2013 https://www.smh.com.au/politics/federal/abbott-shuts-down-climate-commission-20130919-2u185.html

38 Bureau of Meteorology attacks pushed by 'fever swamp' of climate denial, The Guardian 21 September 2017 https://www.theguardian.com/environment/planet-oz/2017/sep/21/attacks-on-bureau-of-meteorology-pushed-by-fever-swamp-of-climate-denial-former-director-says

39 Undue Influence: oil and gas giants infiltrate Australia's Bureau of Meteorology, Michael West Media 7 December 2020 https://www.michaelwest.com.au/undue-influence-oil-and-gas-giants-infiltrate-australias-bureau-of-meteorology/

At CSIRO, the Gas Industry Social and Environmental Research Alliance (GISERA) initiative was launched in July 2011, including research committees heavily populated with gas industry nominees.[40] Researchers work with data provided by the gas industry, study it using funds provided by the gas industry, and publish findings under the prestigious banner of the CSIRO, using commercial in confidence source material that makes peer review impossible.[41] In July 2019 GISERA published the findings of one such closed study into fugitive methane emissions from the coal seam gas (CSG) industry, announcing: "Results of this latest research underline the potential climate benefits of using gas in place of coal to generate electricity".[42] APPEA and its member companies regularly cite this study, wielding the CSIRO brand against local communities and industry critics.

The cumulative impact of industry fingerprints on the policymaking process are most evident in annual Conference of the Parties (COP) meetings where collective global agreements are hammered out. Coal and gas lobbyists have so thoroughly sabotaged progress that draft copies of a forthcoming Intergovernmental Panel on Climate Change (IPCC) report make explicit mention of their campaigns: "One factor limiting the ambition of climate policy has been the ability of incumbent industries to shape government action on climate change (Newell and Paterson 1998; Breetz et al. 2018; Jones and Levy 2009; Geels 2014). Campaigns by oil and coal companies against climate action in the US and Australia are perhaps the most well-known and largely successful of these (Brulle et al. 2020; Stokes 2020; Mildenberger 2020)".

On the marked-up draft leaked to Unearthed, an Australian Government official highlighted this paragraph for deletion.[43]

3.6 Public influence campaigns

"If there is state capture by the fossil-fuel companies, I have also observed a kind of parallel and obviously interconnected phenomenon in public opinion. A kind of culture capture. A hold on the Australian psyche that makes it extraordinarily hard for many to imagine a prosperous and secure future without fossil fuels centre stage."

Rebecca Huntley[44]

The enmeshment of corporate, political and cultural realms is a key tactic for maintaining fossil companies' social license to operate. Years of sponsorship of sporting teams, arts festivals and highly visible local infrastructure serves to position companies as 'good corporate citizens' while also locking in dependence on corporate goodwill. Executives and directors of fossil companies and their financiers also occupy board positions on cultural and sporting institutions across the country, a dense entanglement of relationships mapped in 2018 by A Centre for Everything. [45]

40 GISERA and the threat to independent science, Australian Institute 20 October 2016 https://australiainstitute.org.au/post/gisera-and-the-threat-to-independent-science/

41 CSIRO Report Highlights Gymnastics Needed to Justify LNG on Emissions, Renew Economy 29 July 2019 https://reneweconomy.com.au/csiro-report-highlights-gymnastics-needed-to-justify-lng-on-emissions-41582/

42 GISERA research assesses Queensland CSG-LNG greenhouse gas emissions, CSIRO 2019 https://www.csiro.au/en/News/News-releases/2019/GISERA-research-assesses-Queensland-CSG-LNG-greenhouse-gas-emissions

43 Leaked documents reveal the fossil fuel and meat producing countries lobbying against climate action, Unearthed 2021 https://unearthed.greenpeace.org/2021/10/21/leaked-climate-lobbying-ipcc-glasgow/

44 The fossil-fuel industry's grip on Australian hearts and minds - The Monthly December 2021 https://www.themonthly.com.au/issue/2021/december/1638277200/rebecca-huntley/fossil-fuel-industry-s-grip-australian-hearts-and#mtr

45 A Centre for Everything. 'MAPS OF GRATITUDE (2019)'. https://kumu.io/GdV/fossil-fuels-the-arts#fossil-fuels-the-arts-5

By 2020, Woodside's long-running sponsorship of Perth's Fringe World Festival was so controversial that gag clauses had to be inserted into performance contracts: "the presenter and the venue operator must use its best endeavours to not do any act or omit to do any act that would prejudice any of Fringe World's sponsorship arrangements".[46]

The UK Science Museum's sponsorship deals with Adani and Shell contained a similar gag clause, banning the museum from any activity that risked "discrediting or damaging the goodwill or reputation of the sponsor".[47]

This blurring of boundaries isn't new: at the extremes, it becomes impossible to distinguish between corporate and political messaging. A June 2020 media statement by Queensland's Minister for Natural Resources, Mines and Energy Dr Anthony Lynham featured a quote by the Minister: "The SGAS Aero-Medical Service is one of the most visible ways the CSG industry puts back into the regional Queensland communities that support it," followed by quotes from Santos and Origin.[48]

Other influence operations are even less wholesome. By the early 21st century, the US climate denial industry was spending just under a billion dollars a year[49] to seed disinformation on the causes and costs of climate change. Since the late 1980s, a specialised infrastructure of think tanks, research institutes and advocacy organisations has been built atop older industry alliances and charitable foundations. With longstanding ties to the Republican party, the Australian offshoot of this Climate Change Counter Movement (CCCM) has shown impressive results.

A survey by the University of Canberra in the wake of the black summer bushfires of 2020 indicated that the number of climate deniers in Australia is double the global average: "Out of the 40 countries in the survey, Australia's 8% of "deniers" is more than double the global average of 3%. We're beaten only by the US (12%) and Sweden (9%)".[50]

The study found results heavily skewed by age and gender, with women and young people more concerned about climate change than older males. The choice of media consumed has a decisive impact: "More than one-third (35%) of people who listen to commercial AM radio (such as 2GB, 2UE, 3AW) or watch Sky News consider climate change to be "not at all" or "not very" serious, followed by Fox News consumers (32%)".

In a heavily concentrated media market like Australia, the role of the Murdoch media is hard to overstate. Despite the declining readership of newspapers by younger people, print still drives daily media cycles across broadcast platforms and online. A 2020 study of all climate coverage across Murdoch mastheads *The Daily Telegraph*, *Herald Sun*, *Courier Mail*, and *The Australian* between 2019 and 2020 found nearly half of everything printed "either rejected or cast doubt upon consensus scientific findings". Opinion coverage was more heavily tilted towards denial than straight news reporting "2,309 opinion articles, the top ten opinion writers accounted for 44% of content.

46 Perth's fringe festival under fire for 'gag order' clause in artist contracts, The Guardian 18 Dewcember 2020 https://www.theguardian.com/culture/2020/dec/18/perths-fringe-festival-under-fire-for-gag-order-clause-in-artist-contracts

47 Culture Unstained 2021 https://cultureunstained.org/sciencemuseum/

48 'CSG to Keep Regional Medical Service Aloft - The Queensland Cabinet and Ministerial Directory http://statements.qld.gov.au/Statement/2020/6/11/csg-to-keep-regional-medical-service-aloft

49 Institutionalizing delay: foundation funding and the creation of U.S. climate change counter-movement organizations - Brulle 2013 http://refhub.elsevier.com/S2214-6296(21)00364-9/h0110

50 The number of climate deniers in Australia is more than double the global average, new survey finds, The Conversation 16 June 2020 https://theconversation.com/the-number-of-climate-deniers-in-australia-is-more-than-double-the-global-average-new-survey-finds-140450

All of these opinion writers are either climate change sceptics, promote scepticism in their articles, or are negative towards climate action/efforts. The top five were Andrew Bolt, Tim Blair, Peta Credlin, Peter Gleeson, and Chris Kenny, all of whom are occasional or regular Sky News presenters".[51]

With the impacts of climate change now impossible to ignore, a major change is under way to pursue what researchers have characterised as "discourses of delay," [52]positioning fossil industries as the solution to climate change rather than the cause.

Figure 13: Warming is good for us: at the extremes, it becomes impossible to distinguish between corporate and political messaging.

51 Sceptical Climate: Lies, Debates, and Silences, Wendy Bacon and Arunn Jegan 2020 https://climate-report.wendybacon.com/part-3/

52 Discourses of climate delay, Lamb et al, 2020 https://www.cambridge.org/core/journals/global-sustainability/article/discourses-of-climate-delay/7B11B722E3E3454BB6212378E32985A7

The machinery of state capture, and its tight network of lobbyists, PR professionals and political campaigners allows this pivot from denial to delay to be synchronised across media, industry, and political offices. The Australia-wide pivot to a 'net zero by 2050' message in October 2021 caught some of Murdoch's Australian commentators by surprise, but it occurred at the same time as Prime Minister Morrison began to reposition his government's talking points in the leadup to COP26. Within a week of the pivot, papers were running colourful double page spreads titled "Using Natural Gas as an Alternative" and "Coal has Role to Play in Transition".

Persuasion campaigns are nothing new, but the advent of social media has transformed them out of all recognition. The precision marketing tools described in section 2.6.3 have been exploited by the climate change counter movement, combining traditional media with manufactured online troll accounts and 'bot armies' to spread disinformation.

Analysis of how rapidly the #ArsonEmergency hashtag propagated during the black summer bushfires provides a snapshot of how these campaigns operate in real time. A study by Timothy Graham from Queensland University of Technology identified roughly half of the 300 twitter accounts that piled into the hashtag in January 2020 exhibited behaviour consistent with bots - simplistic automated accounts following predictable patterns - and troll accounts designed to annoy, harass or misdirect.[53] Deceptive coverage in *The Australian* newspaper and other outlets provided fuel for the propagation of the story that arsonists were responsible for the majority of the fires, a wave pushed along by Donald Trump Jr. and the Alex Jones conspiracy channel InfoWars.[54]

These disinformation surges are more than a curiosity, having also been observed during horror fires in California and the Pacific Northwest, where arson and a space laser were implicated.[55] In 2020 they provided political cover for Prime Minister Morrison who was able to deflect growing alarm over the climate-forced origins of the mega-fires.

53 Bushfires, bots and arson claims: Australia flung in the global disinformation spotlight, The Conversation 10 January 2020 https://theconversation.com/bushfires-bots-and-arson-claims-australia-flung-in-the-global-disinformation-spotlight-129556

54 Disinformation and lies are spreading faster than Australia's bushfires, The Guardian 12 January 2020 https://www.theguardian.com/australia-news/2020/jan/12/disinformation-and-lies-are-spreading-faster-than-australias-bushfires

55 How arson factors into California's wildfires, High Country News 15 October 2021 https://www.hcn.org/articles/climate-desk-wildfire-how-arson-factors-into-californias-wildfires

4. Case study: arms industry

"Despite the effort and priority accorded to maintaining a healthy local defence industry, there's surprisingly little hard data in the public domain about the size and shape of the sector."

Australian Strategic Policy Institute, 2017

At first glance the Australian arms industry is a world away from the fossil fuels industry, with highly distinct markets, structures and relationship to government. The industry was chosen as a second case study in state capture for three reasons. First, to demonstrate that while the methods of capture are quite different in each case, the anti-democratic outcomes are fundamentally similar. Second, because the military is the world's largest consumer of fossil fuels while being exempt from emissions reduction obligations. And third, because in making multi billion dollar life-or-death decisions on national security, it is essential that policymakers prioritise the national interest, however that may be conceived, rather than the commercial interests of arms manufacturers, most of them based offshore.

Extraordinary amounts of Australian public funds flow into the arms industry, with an extra $270 billion, on top of the allocated Defence budget, earmarked for the decade 2020-2030.[56] It's an industry described as being 'awash with money'[57]often under conditions of secrecy afforded by reference to national security.

56 The two together totalled $575 billion. media release, Minister Reynolds, 6 October 2020, 'A safer and stronger Australia - Budget 2020-21', https://www.minister.defence.gov.au/minister/lreynolds/media-releases/safer-and-stronger-australia-budget-2020-21; 'Defence budget climbs to $44.6 billion', Marcus Hellyer, ASPI: The Strategist, 12 May 2021, https://www.aspistrategist.org.au/defence-budget-climbs-to-44-6-billion/ (accessed 4 January 2022)

57 Examples include Australian strategy in an age of coyness, Rod Lyon, 16 March 2016, https://www.aspistrategist.org.au/australian-strategy-in-an-age-of-coyness/; and UPDATED: Australian government rejects Airbus Helicopters A$3 billion savings offer, Kym Bergmann, 7 October 2020. https://asiapacificdefencereporter.com/government-rejects-airbus-helicopters-a3-billion-savings-offer/

"We are really in … exciting times in the Australian market," noted the international managing director of the UK's BAE systems in 2017, "The government procurement plans are hugely ambitious. There aren't too many countries who have that scale of defence procurement ambition in the next 15 years".[58]

A major change in Australian defence policy in the 2016 Defence White Paper brought the arms industry into the heart of defence policy by designating it a "fundamental input to capability".[59] One flow-on effect can be seen in Australia's arms export policy, with the loosening of restrictions on selling arms into violent hotspots, such as the Middle East and Africa. Australia now actively seeks increased arms sales with nations known for grievous human rights abuses, including Saudi Arabia, the United Arab Emirates, Indonesia and several African nations. Being designated a "fundamental input to capability" created an environment in which the national interest was conflated with arms industry interests. It is a small step to use the industry's economic viability to justify relaxing strict controls, including arms deals with dubious regimes. In Australia, we have seen an expansion in the number of arms sales to violent hotspots under the overarching policy of building up the economic viability of a 'sovereign' defence industry.[60]

Arms corporations in Australia do not need to cultivate influence and a positive image with the public because their main customer is the government. Instead, they make extensive use of the revolving door, backroom lobbying, manipulation of research and policymaking, and supplying information to 'expert' commentators who can be relied upon to talk up tensions, arms races and possible war.

However, as the focus on building a 'sovereign defence industry' in Australia has sharpened, accompanied by the immense rise in funding, arms companies are increasingly cultivating a positive image to secure a 'talent pipeline' of future employees. Companies have partnered with universities for this purpose, and their influence is also extending to school-age children.

The arms multinationals have morphed into 'innovators' in science, technology, engineering and maths (STEM), usually with the willing partnership of respected educational institutions keen on securing extra funding and more students. Euphemisms abound: "high end technology", "leading edge systems integration", "global security and aerospace", "defence technology and innovation".

Children are targeted through programs like the National Youth Science Forum, whose major sponsor is Lockheed Martin[61] and Maths Alive!, sponsored by Raytheon[62] and others.

The Australian defence industry is dominated by multinational arms manufacturers, including BAE Systems (UK), Thales (France), Boeing (US), Raytheon (US), Lockheed Martin (US) and Airbus (Europe).

58 Defence giant BAE targeting growth in Australia, The Australian 7 April 2017 https://www.theaustralian.com.au/nation/defence/defence-giant-bae-targeting-growth-in-australia/news-story/62bf699b407d07f87df73ed79f2972d8

59 Australian Defence White Paper 2016, p 84 paragraph 4.7 https://www.defence.gov.au/about/publications/2016-defence-white-paper

60 The Bloody Trade, Michelle Fahy, Arena Quarterly September 2021 https://arena.org.au/the-bloody-trade/

61 National Youth Science Forum, list of partners https://www.nysf.edu.au/our-partners/ (accessed 4 January 2022)

62 Bringing maths to life: Raytheon's new MathsAlive! exhibition debuts in Canberra,' Raytheon media release 26 November 2018 https://www.raytheon.com/au/news/feature/bringing-maths-life

Four of the top five defence contractors in each annual listing since 2016 in the Australian Defence Magazine (ADM) Top 40[63] were foreign owned. Of the top 20, three quarters are foreign owned.

In 2017, an analysis by Australian Strategic Policy Institute (ASPI) of ADM top 40 data showed that over the 20 years from 1995-2015, the largest five firms in any given year accounted for, on average, about 65% of total revenue of defence materiel contractors. In 2015, the top 10 took 82% of the revenue and 91% of revenue went to the top 15, leaving less than 10% for the rest, which is where the Australian-owned companies exist.[64] Excluding Lendlease and Downer/Spotless (which supply base maintenance/upgrades and catering/cleaning services to Defence), the largest Australian arms-related defence contractor is government-owned ASC Pty Ltd (formerly Australian Submarine Corporation), which is in the top 10. After ASC, the next largest Australian arms contractors appearing in the ADM top 40 have been Austal, EOS, CEA Technologies and, in the last couple of years, NIOA. In recent years, these generally appear around 15-25th place.

In 2020, a research report by the Stockholm International Peace Research Institute (SIPRI) revealed that after the UK, Australia hosts the second largest number of subsidiaries of the top 15 global arms manufacturers – 38 of them – eclipsing even Saudi Arabia, the world's largest weapons importer, which has 24.[65]

When the Government introduced its major new policy direction in 2016 - bringing defence industry into the centre of defence policy and decision-making as a 'fundamental input to capability' - ASPI noted "the focus on industry in government thinking will increase the influence of firms with a stake in the outcome".[66]

The arms industry also supports worthy social causes, particularly those that involve veterans, such as the Australian War Memorial, Legacy, Soldier On, and the Invictus Games.

4.1 Financial interventions in politics

Political donations by arms industry corporations are not significant in size when compared with corporations in the fossil fuels sector. Federal donation records back to 2012-2013 for Australia's top defence contractors show that while Austal Ships, Raytheon, BAE Systems and NOIA have made financial contributions to the major political parties, no financial contributions at all were recorded for many companies.[67]

On the basis of publicly available data, direct donation is not a significant channel for this industry: it exercises its considerable influence on government through the other channels. A red flag in Australia is significant and repetitive overspending by government of billions of dollars on large military procurement and sustainment contracts.

The Australian Government enforces a high degree of secrecy over its arms procurement, sustainment, and export deals. This secrecy is coupled with strong resistance from the Department of Defence and the political establishment to public demands for improved transparency.

63 The ADM Top 40 is voluntary and some firms choose not to participate, for various reasons, sometimes reflecting a policy of non-disclosure. https://www.australiandefence.com.au/industry/top-40

64 The Cost of Defence: ASPI Defence Budget Brief 2017-2018, Mark Thomson, 25 May 2017, p.206, https://www.aspi.org.au/report/cost-defence-aspi-defence-budget-brief-2017-2018 (accessed 4 January 2022)

65 Mapping the International Presence of the World's Largest Arms Companies, SIPRI, December 2020, Alexandra Kuimova, Pieter D. Wezeman, Siemon T. Wezeman, Dr Lucie Béraud-Sudreau, Alexandra Marksteiner, Dr Diego Lopes da Silva and Dr Nan Tian, https://www.sipri.org/publications/2020/sipri-insights-peace-and-security/mapping-international-presence-worlds-largest-arms-companies (accessed 4 January 2022)

66 The Cost of Defence: ASPI Budget Defence Brief 2017-2018 https://www.aspi.org.au/report/cost-defence-aspi-defence-budget-brief-2017-2018

67 Australian Electoral Commission database accessed via Democracy For Sale website: http://democracyforsale.net/search-aec/

Since Peter Dutton took on the defence portfolio in March 2021, the Department's transparency and accountability has declined further.

Defence staff have been instructed to limit their engagement with media, described by Australian Defence Magazine as an "unprecedented clampdown on Defence's engagement with media".[68] The potential for corruption in such an environment is greatly increased.

4.2 Revolving doors and personnel exchange

Large numbers of Australia's senior military officers, defence and intelligence officials, and politicians leave their careers in public life and pass through the 'revolving door' into roles with arms and security-related corporations. Arguably, in no other industry is the revolving door between the public sector and industry more extensive.

Regulation exists to prevent revolving door appointments being made within specified minimum periods of leaving the military, politics and the public service, but these restrictions apply only to some positions. The minimum 'cooling off' periods (18 months for defence ministers and 12 months for the military and public servants) are manifestly inadequate at dealing with significant potential conflicted interests in this sector. These already weak barriers are regularly circumvented with no repercussions.

The 'cooling off' periods when career-switching between the defence establishment and private industry are enormously important.

When senior public officials and senior defence personnel 'retire' from public service and move into lobbyist roles in the arms industry, they take with them an extensive contact network, deep institutional knowledge, and rare and privileged personal access to people at the highest levels of government. Their presence in the private sector entrenches the influence of the arms industry over policymaking and government procurement decisions - decisions that should be entirely unmoved by the commercial imperatives of weapons manufacturers.

Examples of this include:

Former Chief of the Defence Force Mark Binskin was appointed as 'non-executive director, defence and national security policy'[69] at BAE Systems Australia, one of Australia's top three defence contractors, exactly a year after he retired as Defence Force Chief, the nation's top military office. On Binskin's watch at Defence, the $35 billion (now $45 billion)[70] future frigates contract and the $1.2 billion contract to upgrade the Jindalee Operational Radar Network (JORN) were awarded to BAE.[71]

Duncan Lewis was head of the Australian Security Intelligence Organisation (ASIO) from 2014-2019, a position that capped his extensive career of public service in military, departmental, diplomatic and intelligence posts. A mere five months after leaving ASIO, Lewis joined the Australian board of Thales, a French arms and security multinational and a top three Australian defence contractor.[72]

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68 Senate Estimates more important than ever, Julian Kerr, 30 September 2021, https://www.australiandefence.com.au/defence/budget-policy/senate-estimates-more-important-than-ever (accessed 4 January 2022)

69 Despite this title, ASIC records show Mark Binskin is not on the board of BAE Systems Australia (at 29.9.21). See also Revolving Doors profile of Mark Binskin, https://www.michaelwest.com.au/air-chief-marshal-mark-binskin-ac-retd/ (accessed 4 January 2022)

70 Government frustrations and concerns grow over Australia's multi-billion-dollar submarine and warship programs', ABC News 24 February 2021 2021,https://www.abc.net.au/news/2021-02-24/government-frustrations-future-frigate-warship-fleet-program/13184064

71 Boon for Australian Defence Industry as our JORN gets an upgrade, Australian Air Force media release 6 March 2018, https://www.airforce.gov.au/news-and-events/news/boon-australian-defence-industry-our-jorn-gets-upgrade

72 Duncan Lewis AO DSC CSC to join Thales Australia Board, Thales media release, 21 February 2020 https://www.thalesgroup.com/en/australia/press-release/duncan-lewis-ao-dsc-csc-join-thales-australia-board

Lewis was described as having a "breadth of experience in senior national security positions in Australia [that] is unique in our country's modern history" by the president of the Australian Institute for International Affairs.[73] On his retirement from the public service, Lewis said: "Proximity to the head of government [as National Security Adviser] was the experience of a lifetime. I had the opportunity to meet with kings and queens, presidents and prime ministers, bishops and billionaires".[74]

Ian Watt, described as "one of Australia's most esteemed government elders" in *The Mandarin*[75], a career-long public servant, worked for two decades at the most senior levels of Australian Government. Eighteen months after leaving the top position in the federal public service, Secretary for the Department of Prime Minister and Cabinet, Watt joined BAE Systems Australia as its Australian chairman, a newly-created role.[76] This was a timely appointment given the company's bid to win the future frigates contract, the largest surface warship contract in Australian history. Less than three years later, with two lucrative long-term contracts locked in, BAE's need for an Australian chairman disappeared. Watt retired and was not replaced.

Brendan Nelson, former Liberal Party leader, Defence Minister, and director of the Australian War Memorial, is now president of Boeing Australia, New Zealand and South Pacific, a top five contractor to Defence. Nelson's move to Boeing was announced in January 2020[77], soon after he left the Australian War Memorial, a tenure that itself caused controversy given Nelson's open pursuit of sponsorship from the arms industry.[78] In Nelson's final appearance at Senate Estimates as War Memorial director, in October 2019, he made positive mention of Boeing several times, including its $1 million sponsorship of the memorial.[79] While Defence Minister (2006–2007), Nelson stunned Royal Australian Air Force (RAAF) chiefs when he circumvented the government's rigorous procurement protocols for large defence purchases and authorised the $6.6 billion acquisition of 24 Boeing Super Hornets following a strong sales pitch from Boeing. The highly controversial decision was taken against the advice of the air force chiefs who just weeks earlier had said such a purchase was unnecessary.[80]

Nelson caused consternation once again in March 2019 when his entry on the government's new Foreign Influence Transparency Scheme Register revealed he had been on French multinational Thales's Australian 'advisory board' for four years while concurrently director of the Australian War Memorial .[81] Thales is another top five contractor to Defence, and a donor to the memorial. Under section 24 of the *Australian War Memorial Act*, Directors are not permitted to accept such appointments without the express permission of the government of the day.[82]

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73 'Ex-ASIO Head Duncan Lewis (Part 1): On His Military & Govt Career, And The Challenge of Terrorism', Dr Darren Lim and Allan Gyngell AO FAIIA, 19 December 2019 http://www.internationalaffairs.org.au/australianoutlook/ep-35-ex-asio-head-duncan-lewis-part-1-on-his-military-govt-career-and-the-challenge-of-terrorism/

74 Valedictory Address Duncan Lewis AO DSC CSC, Transcript of Proceedings, 11 September 2019 https://vs286790.blob.core.windows.net/docs/Transcript_Valedictory-DuncanLewis_Sep2019FIN.pdf

75 What Ian Watt did next: board of a defence contractor', The Mandarin 29 April 2016 https://www.themandarin.com.au/64032-ian-watt-next-board-defence-contractor/

76 BAE Systems appoints Australian Chairman, BAE media release 29 April 2016 https://www.baesystems.com/en-aus/article/bae-systems-appoints-australian-chairman

77 Dr Brendan Nelson AO to lead Boeing's Oceania operations, Boeing media release 20 January 2020 https://www.boeing.com.au/news/releases/2020/january/dr-brendan-nelson-to-lead-boeing-oceania-operations.page?

78 'Why are weapons makers sponsoring the national war memorial?, JJJHack 22 May 2018 https://www.abc.net.au/triplej/programs/hack/why-are-weapons-makers-sponsoring-the-national-war-memorial/9788666

79 Hansard, 23 October 2019, Foreign Affairs, Defence and Trade Legislation Committee, p. 147 https://bit.ly/3EVvz5s

80 'Probe likely into Defence's Super Hornet purchase', The Age 6 August 2007 https://www.theage.com.au/national/probe-likely-into-defences-super-hornet-purchase-20070806-ge5imi.html; https://www.abc.net.au/4corners/flying-blind/8953260; https://www.theage.com.au/technology/the-hornets-nest-20070709-ge5b0u.html

81 Brendan Nelson first former politician to register on foreign influence scheme, The Australian 6 March 2019 https://www.theaustralian.com.au/nation/politics/brendan-nelson-first-former-politician-to-register-on-foreign-influence-scheme/news-story/bed88f33ecc83142ec129cd0891bbcdf

82 Australian War Memorial Act (1980) (http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/awma1980244/s24.html

In early 2015, the then Veterans' Affairs Minister Michael Ronaldson approved Nelson's proposed extracurricular activity.[83] He noted the potential for the roles to come into conflict and asked Nelson to take steps to avoid such conflicts. Unmentioned in the correspondence between the two[84] was the fact that, at the time, the Government was in the late stages of assessing a potential $1.3 billion armoured vehicle deal with Thales, discussed below. In 2019, Nelson responded to concerns about this previously hidden arrangement with Thales by saying he donated the fees he received to the War Memorial.

The board of Lockheed Martin Australia since October 2013, has included multiple former senior Australian public officials: at least two, more often three, and even four during one 20-month period. They included: Chris Ritchie, former Chief of Navy; Allan Hawke, former Chief of Staff to Prime Minister Paul Keating, and former Defence Secretary; Kim Beazley, former Australian Ambassador to the US, former Defence Minister and Leader of the Opposition; Geoff Brown, former Chief of Air Force; Amanda Vanstone, Howard Government Minister. Brown and Vanstone remain on the Lockheed Martin Australia board.[85]

In addition, three former senior Australian Defence Force (ADF) officers have been employed as Chief Executive of Lockheed Martin Australia following their retirement from the ADF: Raydon Gates retired from the navy in late 2008, after 40 years. In early 2011 he was appointed Lockheed's Australian chief executive, a position he held for almost six years; Vince di Pietro retired from the navy in March 2016, after 40 years. Five months later (August 2016) he joined Lockheed Martin, then served as its chief executive from December 2016 to April 2019; Warren McDonald retired from the air force in December 2020, after 41 years.[86] Seven months later (1 July 2021), he joined Lockheed's leadership team and took over as chief executive in late 2021.

Electro Optic Systems (EOS) claims to be Australia's largest defence exporter. Chair of EOS' board of directors is Peter Leahy, former Chief of Army who joined EOS less than a year after his retirement. Alongside the former Chief of Army on the board is former Chief of Air Force, Geoff Brown. As Chief of Air Force, Brown was instrumental in deciding on the F35 purchase; upon retirement from the Army, he went on after retirement in 2015 to join the board of Lockheed Martin, the F35's manufacturer.

The EOS revolving door of Directors is not limited to former military heads; former ALP Senator for the Australian Capital Territory (ACT) Kate Lundy is also on the board, serving concurrently with her role on the ACT Defence Industry Advisory board, where she was joined by Geoff Brown. Lundy also serves on the Space Industry Leaders Forum which advises the Australian Space Agency. This is particularly relevant as EOS unveiled its new space laser in 2021 in conjunction with the Space Environment Research Centre, a registered charity controlled by the ANU, RMIT, EOS, Lockheed Martin, Optus and the Japanese National Institute of Information and Communications Technology.

83 Brendan Nelson warned to avoid 'potential conflict' of paid role with Thales, The Guardian, 24 May 2019 https://www.theguardian.com/australia-news/2019/may/24/brendan-nelson-was-warned-of-potential-conflict-of-paid-role-with-thales

84 Obtained under Freedom of Information, see 2019, no 169: https://www.dva.gov.au/about-us/overview/reporting/freedom-information/foi-disclosure-log#-02

85 Lockheed Martin Leadership website page https://www.lockheedmartin.com/en-au/leadership.html (accessed 4 January 2022)

86 Lightning fly-past marks change of command, Leading Seaman Craig Walton, 1 December 2020 https://news.defence.gov.au/people/lightning-fly-past-marks-change-command

The revolving door provides the foundation for significant lobbying and personal influence in the arms industry. More broadly, senior revolving door appointees provide advice on how to pursue company objectives within government. They also exercise their personal influence by helping the company gain 'access' to decision-makers, opening doors within government and the military. The significance of this cannot be overstated in an industry where most key decisions are made behind closed doors at senior levels of government and remain shrouded in secrecy.

4.3 Lobbying and personal influence

Significant arms companies operating in Australia usually have at least one, but more often multiple, former military officers, public servants, politicians or political staffers in management positions, on the board, or both.

Arms companies often establish 'advisory boards' which assist in their lobbying efforts, although this particular purpose is not always stated plainly. Advisory boards typically include the chief executive and a handful of senior company executives along with selected external influencers such as former politicians from both major political parties and/or former senior members of the ADF.

4.3.1 The Thales Hawkei procurement

We have examined the Thales Hawkei vehicle procurement in detail because it provides such a strong example of how well-connected industry lobbyists can manipulate checks and balances.

Thales manufactures the Bushmaster medium-weight armoured vehicle that was already in use by the ADF. The company wanted to win the contract to design and manufacture a new light-weight armoured vehicle for the ADF as well. To win the contract, Thales exerted considerable influence over successive governments of both major political parties. The project originated under the Howard Government and ran the length of the Rudd/Gillard/Rudd Governments. The contract was finally awarded to Thales at the crossover of the Abbott/Turnbull Governments.

Thales wasn't on the starting line for this procurement. New-build Australian vehicle options were considered too risky and expensive, and the Government had decided to partner with the US in its larger light-armoured vehicle project.

How Thales came from nowhere to win a lucrative $1.3 billion contract is a long, complex, highly political and often disturbing story that can be read in the Australian National Audit Office (ANAO) report in startling detail.[87]

87 Auditor-General Report No.6 of 2018–19 Army's Protected Mobility Vehicle — Light https://www.anao.gov.au/work/performance-audit/army-protected-mobility-vehicle-light

The ANAO's reasons for selecting this program for audit included: "[Defence] commenced the acquisition process in 2006, and in 2008 adopted a strategy to procure the Joint Light Tactical Vehicle (JLTV) being developed by the United States. The vehicle ultimately selected in 2015 was the Australian-developed Hawkei[88] vehicle designed by Thales Australia... This project was selected for audit because of the materiality of the procurement, the adoption of a sole-source procurement strategy, the time taken to select a vehicle, and the risk involved in manufacturing a relatively small run of vehicles [1,100] when the United States was beginning a similar but much larger program".[89]

The ANAO's audit examining the effectiveness and value for money of this acquisition led to some illuminating findings:

- Despite the Government having decided to partner in the US program, in December 2008 Thales made an unsolicited pitch to Defence for a new option to be manufactured in Australia accompanied by "extensive industry lobbying". A major lobbying point was that Thales' Bendigo factory, then manufacturing the heavier Bushmaster armoured vehicle, would run out of work when Bushmaster production ceased, putting jobs at risk. Labor's Defence Minister, Joel Fitzgibbon, decided Australian options should be sought, and publicly announced this intention before he had gained Prime Minister Rudd's approval.
- Prime Minister Rudd was dubious about the competitiveness of an Australian-build option and requested his Ministers of Defence and Finance jointly assess Australian industry responses. Defence alone assessed the responses and did not involve the Finance Minister as requested.[90]
- Defence did not make the Government aware of the results of an economic study it had commissioned that found there would be limited regional economic benefits and that a significant premium would be paid for the Hawkei build. Governments make much of the importance of local jobs, yet the study noted that the jobs created in Bendigo would likely reduce job numbers by a similar number elsewhere, and the majority of Thales' profits would end up with overseas shareholders.[91]
- Defence recommended the purchase of 214 extra Bushmaster vehicles from Thales, despite admitting there was little need for them. This was so Thales could keep its Bendigo plant operational while it was awaiting the possible approval of the Hawkei. Four government departments opposed this plan – Prime Minister and Cabinet, Treasury, Finance, and Foreign Affairs and Trade – yet the purchase went ahead, and Defence's expenditure rose by $221 million. Treasury's advice to take this amount into account at the Hawkei's next evaluation point was not followed. The ANAO said the alternative plan of closing and later reopening the Bendigo facility would have cost $33 million, less than one-sixth the cost of buying 214 unnecessary Bushmasters.[92]
- Once Defence dropped the US option and moved into a sole source tender with Thales for the Hawkei it reduced its ability to exert pressure on price. It removed any remaining leverage it had when it sought government approval on the Hawkei prior to the completion of negotiations with Thales. Defence records indicate that once Thales knew the Government had approved the Hawkei, it refused to negotiate anything further of significance.

88 A vehicle named the Hawkei (ostensibly after the Australian death adder, which had been named for former Prime Minister Bob Hawke) during a Labor Government was ultimately acquired by a Coalition Government.

89 Auditor-General Report No.6 of 2018–19 Army's Protected Mobility Vehicle - Light, p.7

90 Auditor-General Report No.6 of 2018–19 Army's Protected Mobility Vehicle - Light, p.36

91 Auditor-General Report No.6 of 2018–19 Army's Protected Mobility Vehicle - Light, p.38

92 Auditor-General Report No.6 of 2018–19 Army's Protected Mobility Vehicle - Light, p.41

- An independent review inside Defence noted Thales had been successful in "pressuring the Commonwealth" to relax its requirements in relation to the procurement and that there was a risk Thales could do so again. (Thales rejected this claim of pressure, but it's protests can now be seen in light of subsequent pressuring of the Attorney-General to issue the certificate, and legal action against the Auditor-General in the Federal Court).
- While Thales was in the critical latter stages of efforts to lock in the $1.3 billion[93] contract it approached former Defence Minister Brendan Nelson to join its advisory board. At the time, Nelson was employed full-time by the Commonwealth as director of the Australian War Memorial. As noted in section 2, Nelson required ministerial permission for this appointment and was given it. This was despite the Government being in the latter stages of this long-running major defence procurement. Nelson joined the Thales Advisory Board on 17 March 2015.[94]

Whether Nelson was involved in advising Thales or lobbying the Government on this procurement is unknown, but the timing is strongly suggestive of the possibility. In his letter to Veterans' Affairs Minister Michael Ronaldson seeking permission for the appointment, Nelson mentioned that the advisory board considered strategic matters, including "programmes". Ronaldson's reply also noted that the advisory board was tasked with providing advice to the Thales CEO on "key programs."[95] The Hawkei is certainly a key program and it was in a critical phase for Thales at the time Nelson was appointed.

In August 2015, five months after Nelson joined the Thales Advisory Board, the Hawkei was approved for acquisition. This approval was rushed and shown by the ANAO to be driven by industry. The Army had stated it had no urgent need for the vehicles. Six weeks after approval was granted, the acquisition contract with Thales was signed.[96]

4.3.2 Successful suppression of sections of the ANAO report

In 2018, there was widespread media coverage[97] of the extraordinary way Thales pressured the Government to censor certain statements in the ANAO report, most notably the statements in which it was made plain the project did not represent value for money for the taxpayer. Thales pressure tactics included instigating action against the Auditor-General through the courts (an action it later dropped).

The then Federal Attorney-General Christian Porter went to unusual lengths to override the Audit Office – a key public accountability mechanism – and to suppress sections of the report, inline with Thales' demands, by issuing a rarely-used legal mechanism under section 37(1) of the *Auditor-General Act*, issuing a certificate to censor the parts of the report that Thales had requested be kept secret.

93 Australian military's $1.3 billion Hawkei contract criticisms revealed after previously sealed by the Attorney-General, ABC News 9 January 2021 https://www.abc.net.au/news/2021-01-09/australian-military-billion-hawkei-contract-criticism-revealed/13044330

94 Foreign Influence Transparency Scheme Register Registration Record, March 2019 https://transparency.ag.gov.au/SearchItemDetail/6f0af20c-983f-e911-8122-0050569d617d

95 Documents obtained under Freedom of Information, see 2019, no 169: https://www.dva.gov.au/about-us/overview/reporting/freedom-information/foi-disclosure-log#-02

96 Auditor-General Report No.6 of 2018–19 Army's Protected Mobility Vehicle - Light, section 4 (page 43 and following)

97 Examples include 'Gagged: A brazen attack on Parliament and the public interest', Canberra Times 6 November 2018 https://www.canberratimes.com.au/story/6000953/gagged-a-brazen-attack-on-parliament-and-the-public-interest/ and Labor accuses Coalition of censoring Auditor-General over defence report, Australian Financial Review 13 September 2018 https://www.afr.com/politics/labor-accuses-coalition-of-censoring-auditorgeneral-over-defence-report-20180913-h15cia ;

Following the release of the unredacted report,[98] it became clear Porter had used the cloak of 'security, defence or international relations of the Commonwealth' as a false cover to protect the commercial interests of Thales, a significant abuse of the public trust invested in this high office.

It should be noted most of the above would not be public knowledge were it not for the work of the ANAO. On defence procurement, it is a critical accountability mechanism. Despite wide support for a funding increase, in the 2020 Federal Budget the ANAO's funding was cut.[99] There are calls to protect the ANAO from further cuts by making it a parliamentary department.

4.3.3 Think tanks and industry groups

Since the Australian Government commenced an unprecedented investment in the arms industry in 2016, the array and strength of defence-related peak bodies and organisations in Australia has increased. Every state and territory government now has a defence advisory board and a defence advocate, often attracting former defence chiefs, and there are numerous other state-based and regional bodies. In addition, most major universities are engaged in significant research collaborations, training programs and other partnerships with the arms industry. The most significant think tanks include:

Australian Strategic Policy Institute (ASPI): The most vocal and influential defence-related think tank in Australia was established by the Department of Defence under Prime Minister Howard, with Opposition Leader Beazley's support. While it insists on 'independence', ASPI receives significant additional funding from the Australian Government on top of its core Department of Defence grant funding, along with sponsorships and research funding from many of the multinational arms companies and cybersecurity companies operating in Australia.

AiGroup: This industry body describes itself as the "peak national representative body for Australia's defence industry"[100] and has expanded its defence industry representation significantly in recent years. It hired former Defence Assistant Secretary Kate Louis to run its defence industry program. Louis previously worked on defence industry policy within the Defence Department.

98 A feat achieved by Senator Rex Patrick following a lengthy FOI battle, Attorney-General Must Explain National Security Error to Parliament, media release, Office of Senator Rex Patrick, 9 January 2021 https://www.rexpatrick.com.au/attorney-general_must_explain_national_security_error_to_parliament

99 Coalition accused of trying to avoid scrutiny after audit office budget cut, The Guardian 8 October 2020 https://www.theguardian.com/australia-news/2020/oct/08/coalition-accused-of-trying-to-avoid-scrutiny-after-audit-office-budget-cut

100 AiGroup website https://www.aigroup.com.au/sectors-and-advocacy/Defence/

4.4 Research and policymaking

Despite its profound impact on international politics, the global arms trade operates largely in the shadows, with insufficient regulation. The Global Justice program at Yale University has noted: "The trade operates with virtual impunity behind a veil of national-security-imposed secrecy".[101]

Research by the Cato Institute[102] showed the touted economic benefits of arms sales are dubious and their strategic utility is far more uncertain and limited than most realise. If Cato reached this conclusion after looking at the powerful US industry, significant questions should be asked about Australia's decision to head down a similar path.

When considering the influence of the arms industry on Australian defence policy it is worth keeping in mind that Australia is a very significant customer of the US arms industry – its second largest, after Saudi Arabia, for 2016-2020, according to research by the Stockholm International Peace Research Institute (SIPRI).[103] Even before that, according to the 'Risky Business' Cato Institute report, Australia has long been a top five US customer.

Many powerful advocates in the US view its arms sales as providing leverage over the behaviour and policies of 'client nations' while also strengthening the US industrial base.

Australia is the fourth largest market for the UK's arms giant BAE Systems plc. In 2017, BAE Systems said it regarded Australia as a 'highly strategic' market and wanted to almost double its Australian-sourced revenues.

It's obvious why the arms industry is enthusiastic: the amount of money Australia is pouring into it is internationally significant. Defence called the now abandoned submarine deal with Naval Group "a megaproject by all international standards". Yet despite this unprecedented expenditure – $195 billion under Turnbull, increased to $270 billion by Morrison – there has been little research analysing the extent of arms industry influence in bringing it about.

The huge spending on major defence programs has required some justification by government and industry. One avenue has been the commissioning by industry of 'independent' reports setting out the economic benefits.

Lockheed Martin has produced extensive literature to justify Australia's investment in its F-35 fighter jet program. BAE Systems Australia, a significant contractor in Australian naval shipbuilding, has done the same.

In 2017, former senior analyst of defence economics for the Australian Strategic Policy Institute, Mark Thomson, compared two economic impact studies proffered by the Government – the 2015 submarine and the 2016 F-35 analyses.[104] Even though both studies used the same model (General Equilibrium Modeling or CGE) they produced markedly different results. Thomson concluded "two isolated studies are a fragile basis on which to build a policy" and that "without independent replication, we can't be sure that *either* study is correct".

101 Exposing Corruption in the Global Arms Trade, Khadija Sharife and Andrew Feinstein, Yale Global Justice Program, https://globaljustice.yale.edu/news/exposing-corruption-global-arms-trade (accessed 4 January 2022)

102 Cato Institute Policy Analysis No. 836, Risky Business: The Role of Arms Sales in U.S. Foreign Policy', A. Trevor Thrall and Caroline Dorminey, 13 March 2018 https://www.cato.org/policy-analysis/risky-business-role-arms-sales-us-foreign-policy

103 Trends in international arms transfers, 2020 SIPRI Fact Sheet, March 2021 https://sipri.org/sites/default/files/2021-03/fs_2103_at_2020.pdf

104 Defence exports—best bang for the buck?' The Strategist 23 May 2017 https://www.aspistrategist.org.au/defence-exports-best-bang-buck/

Thomson's recommendation was that, as a priority, "the government should commission modelling to properly and systematically determine how Australian defence spending can best be harnessed to create jobs and grow the economy". He noted a good first step would be to "have a third-party replicate the 2015 submarine and 2016 F-35 economic impact studies on a common CGE platform." Sound advice.

Given the high stakes, the corporations themselves cannot be considered independent, unbiased sources of information.

KPMG and Lockheed Martin

In June 2018, Minister for Defence Industry Christopher Pyne released a KPMG report 'The Economic Contribution of Lockheed Martin to Australia',[105] saying, "The Government's commitment to a viable long term defence industry has been validated with the release of an independent report into Lockheed Martin Australia's positive impact on the Australian economy".[106]

Unmentioned by Pyne was the report's lengthy disclaimer which said, in summary, that the report was prepared by KPMG at the request of Lockheed Martin, which had paid KPMG to do the report under an advisory engagement, meaning it was not completed according to Australian auditing and assurance standards. Further, the data and information surveyed was "approved by Lockheed Martin". KPMG did not verify or guarantee the completeness, accuracy, or reliability of the information it had been supplied.

BIS Oxford Economics and BAE

Minister Pyne released another report in November 2018, an Oxford Economics report on the Hunter class future frigates program[107] with modelling that "vindicated the Coalition Government's determination to develop a sovereign naval shipbuilding capability in Australia".

Pyne's media release made a range of statements about the Hunter class program but made no mention of BAE until the final line, indicating the Oxford Economics report had been commissioned by BAE Systems.[108] The impression created was that this was an independent report from BIS Oxford Economics on the future frigates program. However, the attached report was titled 'The Economic Impact of BAE Systems in Australia' and the future frigates information was buried in the final section. Again, there was a disclaimer noting "The modelling and results presented here are based on information provided by third parties upon which BIS Oxford Economics has relied … in good faith". Pyne's media release pretended the report was generated by Oxford Economics independently and did not disclose that all data was provided by BAE Systems.

105 The Economic Contribution of Lockheed Martin to Australia, KPMG, May 2018 https://www.lockheedmartin.com/content/dam/lockheed-martin/au/documents/LMA_FinalReport_May2018_protected%20Plain%20Cover.pdf

106 Contribution of Lockheed Martin to Australia, Defence Minister Pyne media release 28 June 2018, https://www.minister.defence.gov.au/minister/christopher-pyne/media-releases/contribution-lockheed-martin-australia

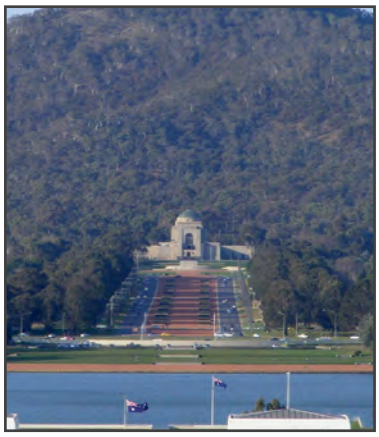
107 The Economic Contribution of BAE Systems in Australia, BIS Oxford Economics 20 November 2018 https://resources.oxfordeconomics.com/hubfs/BAESA.pdf?__hstc=52718647.2f3f33a24b44870ec4a577029c49e44b.1618012800074.1618012800075.1618012800076.1&__hssc=52718647.1.1618012800077&__hsfp=19610472

108 Naval shipbuilding a boon for Australian economy, Defence Minister Pyne media release 28 November 2018, https://www.minister.defence.gov.au/minister/cpyne/media-releases/naval-shipbuilding-boon-australian-economy

4.5 Institutional repurposing

"Australia's regulatory framework has failed Australians at every step of this abomination of an 'assessment' process. Supposedly 'independent' decision-makers have been shown to be nothing more than toothless tigers dancing to the tune of their political masters."

Clare Cousins, former national president, Australian Institute of Architects on the Australian War Memorial redevelopment



Refocusing government agencies to serve the interests of the arms industry occurs incrementally and unobtrusively. The case of the Australian War Memorial is one example. Its former Director Brendan Nelson gained approval for a massive redevelopment of a nationally beloved and respected building, despite strong opposition from those who believed changes proposed to the iconic building served vested interests rather than its intended purpose.

The Australian War Memorial redevelopment and expansion will cost $498 million. Research by The Australia Institute found one in two Australians would prefer the money be spent on services such as health and education, a further one quarter (26%) would prefer the money be spent on veterans' support services and just 13% wanted to spend the money on the redevelopment.[109]

'Early' works included the destruction of the architecturally award-winning Anzac Hall and the felling of about 140 trees surrounding the memorial. These irreversible actions began months before the final phase of consultation and approval had begun.

The proposed new two-storey Anzac Hall and glazed link[46] will allow for the display of more military hardware such as fighter jets, helicopters and armoured vehicles.

Opposition to the redevelopment has come from diverse sections of the public - architects and historians, two former Australian War Memorial directors and former senior staff, heritage experts, anti-militarism groups, writers, journalists, artists, former public servants and military officers as well as veterans. The redevelopment is widely seen as evidence of Australia's increasing militarism, supported by arms industry interests keen on their wares being on permanent public display. This backroom influence, underpinned by donations that are small change to the industry but welcomed by the memorial, has overridden the primary commemorative and historical educative purposes of the memorial.[110] Other examples of institutional repurposing underway in Australia include:

- **WA Governor now also an advocate for defence industry:** A year after appointing Kim Beazley as Western Australia's new Governor, Premier Mark McGowan expanded what had been a role focused on constitutional and legal, ceremonial, and community responsibilities to include advocating for WA's defence industry. McGowan authorised a larger staff and budget for Beazley to support his additional duties. "This is unique, there's no question about that in respect of roles the Governor has traditionally played," said WA Treasurer Ben Wyatt. He agreed that "advocacy was not the Governor's role but said Mr Beazley's expanded responsibilities were not political".[111]

109 Vast Majority of Australians Prefer Funds for War Memorial Expansion to be Spent Elsewhere', Australia Institute, 2021 https://australiainstitute.org.au/post/vast-majority-of-australians-prefer-funds-for-war-memorial-expansion-to-be-spent-elsewhere/

110 Stephens, David: War Memorial picks up 'small change' donations from military industries, Honest History 28 January 2020 http://honesthistory.net.au/wp/stephens-david-war-memorial-picks-up-small-change-donations-from-military-industries/

111 'Budget boost for Beazley as governor decides his job now includes 'advocacy', WA Today 10 May 2019 https://www.watoday.com.au/politics/

- **Australian Strategic Policy Institute (ASPI):** ASPI was created two decades ago to provide independent input into government decision-making processes on major strategic and defence policy issues. Its charter says: "Contestability of advice is an important contributor to good public policy, and [the government] is concerned that in the strategic and defence policy arena the range of alternative views on which the government can draw is not well developed. ASPI is intended to help remedy this".[112] The charter says ASPI will provide "a valuable source of alternative views on a wide range of issues". Unfortunately, in the past decade, ASPI's leadership has become increasingly influenced by and aligned with US Government and arms industry interests, including accepting funding from both. ASPI is now known for espousing views toward China that align with, rather than contest, the more extreme and inflammatory end of government rhetoric. This stance also aligns with the interests of multinational arms manufacturers. While it continues to publish the views of well-qualified alternative sources, these usually receive much less attention.
- **Australian Space Industry Leaders Forum:** Described as the coordination point advising the Australian Space Agency on Australia's civil space sector, about half of the 20 members of the Space Industry Leaders Forum are from, or closely associated with, Defence or arms industry interests.[113] Australia's chief defence scientist (head of Defence Science and Technology Group) sits in this Forum, despite its terms of reference[114] indicating that membership is non-government. Rod Drury, Lockheed Martin Space's vice-president international, was appointed by the Space Agency as forum chair. The forum also includes Boeing's president in the Australia, New Zealand, South Pacific region, Brendan Nelson; a vice president from Northrop Grumman, a US arms multinational; and Peter Woodgate, the chair of Australia's SmartSat Cooperative Research Centre, which has a membership including Defence Science and Technology Group, multinational arms corporations BAE Systems and Airbus, Australian company Nova Systems, and numerous universities.[115]

4.6 Public influence campaigns

As observed by Katrina vanden Heuvel, editor and publisher of *The Nation:* "Media outlets regularly invite former military and public officials to comment on U.S. defense policies—without disclosing their financial interests in these policies".[116] While she was commenting on US media reporting, similar practises occur in Australia.

ASPI is a repeat offender at concealing the interests of its donors, council members and fellows, and other writers it publishes. In turn, Australian media outlets regularly use ASPI for commentary on defence and national security matters yet fail to advise the public of its funding sources. Its core annual funding comes from the Department of Defence, supplemented by other federal departments, but ASPI's next largest source of funding is the US Government, via the US Defense and State Departments, with an average $1.5 million annually over the past two years (17-18% of its funding).

This is highly pertinent given ASPI's increasingly strong anti-China rhetoric.

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western-australia/budget-boost-for-beazley-as-governor-decides-his-job-now-includes-advocacy-20190510-p51m0w.html

112 ASPI Charter https://www.aspi.org.au/basic-page/charter

113 See Space Industry Leaders Forum, Department of Industry, Science, Energy and Resources https://www.industry.gov.au/about-us/space-industry-leaders-forum

114 Space Industry Leaders Forum – Terms of Reference, November 2019, https://www.industry.gov.au/sites/default/files/2019-11/space-industry-leaders-forum-terms-of-reference.pdf

115 SmartSat Cooperative Research Centre https://smartsatcrc.com/

116 'It's time to break up the military-industrial complex, Katrina vanden Heuvel, Washington Post 21 September 2021 https://www.washingtonpost.com/opinions/2021/09/21/its-time-break-up-military-industrial-complex/

ASPI also receives funding from the UK Government, and numerous multinationals, including from the arms industry.[117]

Some examples of ASPI-affiliated people whose related interests are rarely acknowledged:

- **Kim Beazley:** In between his roles as Australia's US Ambassador and his appointment as Western Australia's Governor, Kim Beazley spent two years closely associated with ASPI.[118] "From May 2016 to July 2018, Kim Beazley was a distinguished fellow at ASPI and, freed from the constraints of his ministerial, political and ambassadorial roles, Kim wrote with relish and spoke at ASPI events with flair and great enjoyment about Australia's defence and international security". Undeclared in Beazley's profile on ASPI's website is that for most of this two-year period he was also a board member of Lockheed Martin Australia (June 2016 to April 2018).
- **Ken Gillespie:** The former Chief of Army (2008–2011) was appointed to the ASPI Council in January 2015 and became its chair in December 2016. His ASPI profile states: "Ken currently sits on several boards, both public and not for profit, and provides consulting services to government departments, corporations and small companies". None of these entities are identified. However, in the defence and security sector, Gillespie sits on the boards of Naval Group Australia and Senetas Corporation as at October 2021. Naval Group's logo appeared as a sponsor of ASPI until recently. Gillespie was also a board member of Airbus Group until February 2020. Airbus is a long-term contractor to Defence, supplying helicopters.
- **Stephen Loosley:** The former Labor senator for NSW in the Hawke and Keating Governments is past chair of the ASPI Council and remains an ASPI senior fellow. While his ASPI website profile mentions an earlier membership of the Thales Australia advisory board, at the time of writing his profile has not been updated to reflect he joined the Thales Australia governance board in December 2019 and is now its deputy chair. In an article for *The Australian* in September 2021, in which he fulsomely praised Defence Minister Peter Dutton as well as ASPI, Loosley declared his interest as a senior fellow at ASPI. Conspicuously, he did not mention his greater vested interest as deputy chair of Thales Australia. As a top five multibillion-dollar contractor to Defence, Thales is heavily reliant on maintaining good relations with the Defence Minister and his Department.[119]
- **Peter Leahy:** The Professor and director at Canberra University's National Security Institute took up his new roles after retiring as Chief of Army in mid-2008. He is the chair of Electro Optic Systems (EOS), one of Australia's largest home-grown arms and space companies and a director of Adelaide-based Codan which supplies military radio, countermine technology and other military electronics equipment. Leahy has written for ASPI and in the media, and is often interviewed on defence and security issues. He does not disclose his industry interests. Indeed, his profile at the University of Canberra lists, under 'industry engagement', the Defence SA Advisory Board and a few defence-related charities, but at the time of writing did not disclose his directorships of EOS and Codan.[120]

117 ASPI Annual Report 2020-21 Annex H, p 152, https://s3-ap-southeast-2.amazonaws.com/ad-aspi/2021-09/ASPI-Funding-2020_2021.pdf?VersionId=tJxiJj2k0UALZCiXY18AOYodZMHFDKHv

118 The Strategist Selections: Kim Beazley, ASPI Event, 10 December 2018 https://www.aspi.org.au/event/strategist-selections-kim-beazley

119 Transparency lacking in Australian defence policy Independent Australia 19 October 2021 https://independentaustralia.net/politics/politics-display/transparency-lacking-in-australian-defence-policy,15645

120 Biography of Professor Peter Leahy AC, University of Canberra https://www.canberra.edu.au/about-uc/faculties/busgovlaw/school-of-government-and-policy/professor-peter-leahy-ac

Recommendations

1. Recognise state capture as a systemic threat to Australian democracy.

Frustration with the string of failings and corruption of Australian democracy is widespread, but rarely described or understood as a systemic threat posed by corporations. Rather than respond to each new crisis of political integrity in a piecemeal fashion, we need to recognise and name this as state capture. By recognising we have a systemic problem, attention can focus on systemic solutions to deliver a healthy Australian democracy which works for all of us, not just for the powerful few.

2. All parties and candidates should commit to legislating reforms under the Framework for a Fair Democracy.

As Australians go to the polls, those seeking election should support the framework, and our next Parliament must prioritise these reforms:

Stamp out corruption

- Create a strong federal integrity commission
- Introduce an enforceable code of conduct for politicians
- Independent funding of the Audit Office and Information Commissioner
- Introduce a merit-based process for appointing government advisors

End cash for access

- Create a public register for lobbyists and publish ministerial diaries
- Impose a three-year mandatory cooling-off period for ministers and their staff
- Ban large donations to politicians altogether
- Limit the amount candidates and parties can spend on election campaigns
- Declare all political donations over $2,500 publicly and in real time

Level the playing field in election debates

- Limit how much anyone can spend on trying to influence the outcome of an election
- Penalise politicians and campaigners who clearly and deliberately mislead the Australian public to influence an election result
- More detail on the Framework can be found at the #OurDemocracy website: https://www.ourdemocracy.com.au/the-framework/

3. Create political, economic and social consequences for the corporate powers and the political decision makers who participate in the tactics of state capture.

While legislative reform is crucial, we know that it alone is not enough. For state capture to end, there must be a cost to those participating. Creating a political culture where participation in the activities of state capture comes at a cost for all involved is a critical step towards a healthier democracy.

4. Protect vibrant, diverse civic participation at the heart of our healthy democracy.

When state capture enables the machinery of government to be used as a tool to harass, intimidate, silence and punish vocal opponents of corporate powers, our democracy is in peril. Attempts to crack down on the legitimate right to advocate, critique and protest should be resisted as cynical ploys to undermine democracy and stifle democratic debate and participation.

The World Bank defines state capture as "the exercise of power by private actors — through control over resources, threat of violence, or other forms of influence — to shape policies or implementation in service of their narrow interests".

This report makes a compelling case that state capture is a problem eating away at the foundations of our democracy, our way of life and everything we care about most.

It's a huge problem, but it's not bigger than us. If you read this report and want to do something positive about the problem of state capture, come and join us.

- Saffron Zomer

AUSTRALIAN DEMOCRACY NETWORK

DOWNLOAD THE FULL REPORT AT

australiandemocracy.org.au/statecapture