A Newsroom analysis of donation returns filed with the Electoral Commission for the 2020 election by parliamentary political parties and their MPs has

revealed that our major parties appear to commonly employ tactics that hide the identity of Kiwis donating hundreds of thousands of dollars. Photo: Lynn

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JUNE 3, 2021Updated June 5, 2021

Pete McKenzie

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WEEK IN REVIEW

Pete McKenzie: Politics rife with ‘dark money’

In the first of four articles examining political donations in New Zealand, Pete McKenzie reports that leading academics are concerned our major political

parties are using ‘barely legal’ tactics to hide the source of large sums of money.

In May, news broke that donors to the Labour Party were being prosecuted by the Serious Fraud Office over breaches of campaign finance laws. Remarkably,

four of the six parties that have recently held seats in Parliament are now involved in investigations or prosecutions by the SFO for such breaches – Labour,

National, Te Paati Māori and NZ First.

But with all the attention on violations of our campaign finance laws, little attention has been paid to the more chronic problem of parties circumventing

those laws through lawful but potentially problematic methods – a trend which leading academics and observers decry as “very problematic”.

A Newsroom analysis of donation returns filed with the Electoral Commission for the 2020 election by parliamentary political parties and their MPs has

revealed that our major parties appear to commonly employ tactics that hide the identity of Kiwis donating hundreds of thousands of dollars.

This is apparent from the returns of National candidates who became MPs. While the donation returns for candidates from other parliamentary parties typically

show a mix of donations from individuals, businesses and party supporters, returns for National MPs were almost universally limited to donations from the

local or central National Party. It is on that basis that Professor Andrew Geddis, a University of Otago academic and New Zealand’s foremost expert on

campaign finance laws, believes that “the National Party [may be] arbitraging those different disclosure thresholds to avoid having to list all the people

who are actually giving money to help the local candidates.”

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“I know for a fact that there are National MPs who are not declaring any donations except those channelled from head office, [but] who are nonetheless

organising fundraising events."

- Max Rashbrooke

block quote end

Ben Thomas, a public relations consultant and former National staffer, agrees that the reasonable assumption is that “it’s a way of avoiding naming donors”.

And according to Max Rashbrooke, an expert on democracy and wealth inequality at Victoria University of Wellington, “It’s very problematic, because it’s

obviously concealing the source of donations”.

If these experts’ diagnosis is correct, National would be circumventing the different disclosure thresholds for donations to individuals and parties. All

donations over $1500 to individual candidates must be publicly disclosed; for parties, only those over $15,000 must be publicly disclosed. By channeling

their donations through the party with the expectation that they will be routed to their favoured candidates, privacy-keen donors could contribute almost

ten times as much to individual candidates without having their names publicly disclosed.

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While it is difficult to be certain given parties’ tendency towards privacy in this area, Rashbrooke is fairly confident about his diagnosis. “You can’t

tell me that all those politicians are incapable of fundraising directly themselves. We know that politicians across the board can get donations in the

thousands and tens of thousands from constituents. It’s totally implausible that those candidates – many of whom are very well resourced, well connected,

highly thought of politicians – are unable to get their own funding.”

Election year party donations and loans (2020)

National Party

$2,802,766

- Estate of Gayle Pike

$50,000

- Christopher and Banks Ltd

$50,000

- DHC Trust

$50,000

Labour Party

$1,510,628

- Dairy Workers Union

$90,000

- Hon Robert Smellie QC

$82,500

- Mark James Todd

$50,000

ACT New Zealand

$1,227,121

- Dame Jenny Gibbs

$100,700

- Christopher Reeve

$70,000

Green Party

$859,727

- Peter Kraus

$50,000

- Phillip Mills

$45,000

NZ First

$694,450

- WR Peters (loan)

$180,187

Māori Party

$389,604

- John Tamihere

$158,224

- Aotearoa Te Kahu

$120,000

ONE Party

$340,018

- Bruce William Black

$205,000

Advance NZ

$251,099

- NZ Public Party

$65,633

Only a small proportion of the bigger parties' funding comes from disclosed donors. Instead, major parties hide the identities of candidates' donors under

higher party disclosure caps.

Chart: Newsroom Pro

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Source:

Electoral Commission

 •Get the data: Election year party donations and loans <span style="font-weight: normal;">(2020)</span>

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One example may be Christopher Luxon, the high-profile first-term National MP and former CEO of Air New Zealand. Running in the safe National seat of Botany,

Luxon ultimately won his electorate with a majority of 4771 votes despite Labour’s red wave in 2020 – indicating he was likely never at risk of losing.

Yet he received $73,050 from his local party committee: $30,000 more than any other National MP received from a single source and almost $45,000 more than

he could lawfully spend in a single election. He disclosed no other donations, despite his strong ties to Aotearoa’s business community. Luxon did not

respond to requests for comment.

A spokesperson for the National Party stated that its MPs’ limited donation disclosure was the result of the party’s focus on grassroots local electorate

committees, which “work hard locally, and have done so for decades, to build strong networks and relationships to engage our members and supporters to

raise funds continuously”. The spokesperson argued that by channeling donations and community fundraising through local committees, the party was able

to support candidates selected at short notice or with less personal wealth or extensive networks.

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“If you use a lame cliché like the Overton Window, then maybe putting in place those [donor] relationships changes your idea of what’s possible or desirable

in policy areas which are relevant.”

– Ben Thomas

block quote end

“Whilst it is easy to hypothesise, allege, and pontificate on the nefarious intent of some in politics, and use that falsehood as an angle to smear other

political parties, in the case of the National Party it is frankly just inaccurate and wrong.”

The statement did not, however, directly address Geddis and Rashbrooke’s concern that channeling donations through local electorate committees to individual

candidates hides the original source of the money. Neither did the statement address Rashbrooke’s concern about MPs who received seemingly disproportionate

sums from the central party.

“I know for a fact that there are National MPs who are not declaring any donations except those channelled from head office, [but] who are nonetheless

organising fundraising events," Rashbrooke said. "And so what they may be doing is organising a fundraising event which is very clearly aimed at helping

their own electorate campaign, but which is done in a fashion where the donations technically go to the National Party head office … what that means is

that donations which, had they been given directly to the candidate we would know who was behind them, would become completely anonymous.”

The Electoral Commission is responsible for administering campaign finance rules. When asked for comment, it noted that, “Parties can run fundraisers out

in the electorates. The rules also allow parties to give donations to their candidates.” However it emphasised that, “Candidates can receive party donations

that must be transmitted to the party secretary. A party secretary or other party official can receive candidate donations that must be transmitted to

the candidate. Whether or not a donation is a party donation or candidate donation depends on the actions, intentions and expectations of the donor, the

context in which it is given, and whether the donor indicates they are giving to the party or the candidate.”

National is not the only party which may be hiding the source of its donations in ways that could undermine the spirit of our campaign finance laws. Among

the donors listed on the Labour Party’s donation return are the names of some of Aotearoa’s most prominent artists: Karl Maughan, Dick Frizzell, Bill Hammond,

Neil Dawson, Ann Robinson, Michael Hight and John Reynolds. Together they are responsible for $184,140 in contributions to Labour.

Ben Thomas explains that some of these artists may be part of a longstanding scheme by which artworks are auctioned off to Labour donors: the donation

is listed under the artist’s name, but they contribute little to none of the money. Instead, the donors who buy these artworks are the real source of the

money which ends up in Labour’s bank accounts.

Rob Salmond, General Secretary of the Labour Party, insisted that, “Labour has received advice that our art auctions operate within both the letter and

the spirit of New Zealand’s donation laws. This is a well-established practice that takes place in an open, transparent manner.”

But, according to Geddis, such insistence is “a little bit cute, because trying to put a value on a piece of art is very subjective – is this really worth

the amount it’s sold for, or are they paying above the odds to support the party they like? And then the second problem is, from the perspective of an

ordinary person, you really want to know who’s actually given money to the party. It’s the money the party really wants, so you want to know the identity

of the money.”

The flood of dark money to major parties may be having significant impacts on political behaviour in Aotearoa. While neither Thomas or Rashbrooke believe

there is an explicitly transactional relationship (where money purchases policy changes) between donors and most politicians, both believe it affects politicians’

understanding of what is politically desirable or possible. “If you use a lame cliché like the Overton Window,” says Thomas, “then maybe putting in place

those [donor] relationships changes your idea of what’s possible or desirable in policy areas which are relevant.”

“These are big sums of money in the New Zealand context. They’re big enough to buy influence because they’re big enough to fund significant chunks of what

political parties do,” explains Rashbrooke. “It’s an expensive business, running a political party. And that creates a reliance on the people who fund

these expensive enterprises.”

Rashbrooke is emphatic that these loopholes need to be addressed. “I think that is pretty clearly circumventing the rules, and I think that – along with

a lot of other things about New Zealand’s political donation regulations – it is something which needs to be looked at. There needs to be a way of preventing

it from happening.”

Part two of Pete McKenzie's series on political donations will be running next Tuesday.

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