

# **Powers of deduction:**

Tax deductions, environmental organisations and the mining industry

June 2015

Rod Campbell

Matt Grudnoff

Dave Richardson

Tom Swann

Cam Amos

Molly Johnson

---

## About TAI

The Australia Institute is an independent public policy think tank based in Canberra. It is funded by donations from philanthropic trusts and individuals and commissioned research. Since its launch in 1994, the Institute has carried out highly influential research on a broad range of economic, social and environmental issues.

## Our philosophy

As we begin the 21st century, new dilemmas confront our society and our planet. Unprecedented levels of consumption co-exist with extreme poverty. Through new technology we are more connected than we have ever been, yet civic engagement is declining. Environmental neglect continues despite heightened ecological awareness. A better balance is urgently needed.

The Australia Institute's directors, staff and supporters represent a broad range of views and priorities. What unites us is a belief that through a combination of research and creativity we can promote new solutions and ways of thinking.

## Our purpose—'Research that matters'

The Institute aims to foster informed debate about our culture, our economy and our environment and bring greater accountability to the democratic process. Our goal is to gather, interpret and communicate evidence in order to both diagnose the problems we face and propose new solutions to tackle them.

The Institute is wholly independent and not affiliated with any other organisation. As an Approved Research Institute, donations to its Research Fund are tax deductible for the donor. Anyone wishing to donate can do so via the website at <https://www.tai.org.au> or by calling the Institute on 02 6130 0530. Our secure and user-friendly website allows donors to make either one-off or regular monthly donations and we encourage everyone who can to donate in this way as it assists our research in the most significant manner.

Level 5, 131 City Walk  
Canberra, ACT 2601  
Tel: (02) 61300530  
Email: [mail@tai.org.au](mailto:mail@tai.org.au)  
Website: [www.tai.org.au](http://www.tai.org.au)

## Summary

Donations to environment organisations in Australia are tax deductible as long as the organisation in question is listed on the Commonwealth Register of Environmental Organisations. This listing gives an organisation Deductible Gift Recipient (DGR) status. A parliamentary inquiry is looking into the Register, largely at the behest of the mining industry.

Parts of the mining industry consider environment groups that protest or engage in advocacy to be a “threat” to their business and are actively campaigning to “challenge the way these people are funded”. Industry lobby groups that represent companies like BHP, Rio Tinto and Santos, are calling for tax deductibility of environment groups to be abolished, aside from groups that engage in on-ground activities.

The mining lobby’s concern for the taxpayer comes at a time when tax avoidance by mining companies has been attracting headlines and featuring in other parliamentary inquiries. Ironically, spending by mining companies on lobbying activities is also tax deductible.

### ***How much does DGR status of environmental organisations cost the taxpayer?***

The NSW Minerals Council claims the tax-deductible status of key organisations leads to a loss to the taxpayer of \$18 million per year. This figure is likely to be overstated due to the assumptions made by the Minerals Council. This represents 0.005 per cent of Commonwealth Government revenue.

### ***What does the taxpayer get for DGR status of environment groups?***

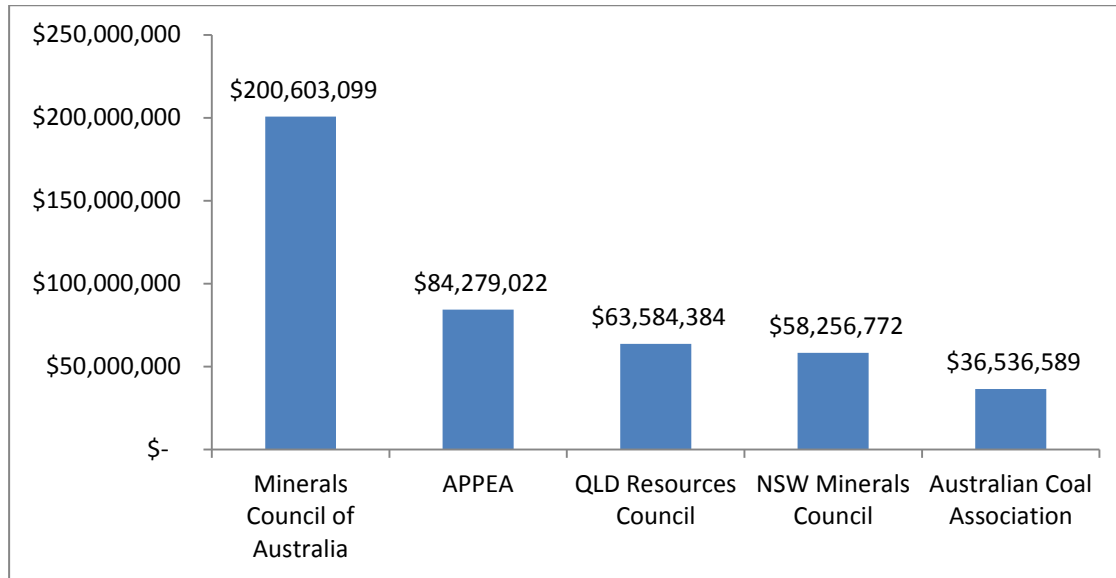
Local, state and national groups have DGR status. These groups ensure better standards of environmental protection, monitoring and compensation for damage often by the mining industry. For example:

- Local environment groups with DGR status in Lithgow, NSW, exposed damage caused by Centennial Coal leading to a \$1.45 million fine to the company.
- State environment groups were important in showing government and company shortcomings in the judicial inquiry into Victoria’s Hazelwood mine fire. The fire imposed costs of more than \$100 million on the Victorian taxpayer, the local community and the owner, GDF Suez.
- National environment groups have played important roles in limiting uranium mining in Kakadu, which is opposed by 70 per cent of Australians.

### ***How much does tax deductible lobbying by the mining industry cost the taxpayer?***

The mining industry has spent \$484 million on its major lobby groups over the last ten years:

## Mining lobby group total revenue 2004-05 to 2014-15



This expenditure is tax deductible and has reduced company tax by \$145 million dollars. On average over the last five years, company tax revenue has been reduced by \$20 million dollars per year.

This expenditure represents just the tip of the lobbying iceberg, however, as the mining industry also spends millions on third-party lobbying firms and in-house lobbyists. Although mining employs less than 2 per cent of Australia's workforce, the mining industry employs 15 per cent of the firms on the federal lobbying register.

### ***What does the taxpayer in return for tax breaks to industry lobbying***

In contrast to the activities of environment groups, which often deliver clear public benefit, tax-deductible lobbying from the mining industry tends to work against the public interest. For example:

- Lobbying by Rio Tinto and BHP Billiton has prevented an inquiry into the \$75 billion per year iron ore industry.
- The industry lobbies to maintain cheap diesel for mining companies, which costs Australian taxpayers over \$4.5 billion per year.
- The mining industry lobbied heavily to repeal the Minerals Resource Rent Tax, or 'mining tax' which Budget Papers estimate has reduced tax revenue by \$5.3 billion over the forward estimates.

So who is taking the taxpayer for a ride, mining industry lobbyists or environment groups? This is not a question that requires great powers of deduction.

## Introduction

Donations to environment organisations in Australia are tax deductible as long as the organisation in question is listed on the Commonwealth Register of Environmental Organisations. As donations are tax deductible, people are more likely to donate to registered environmental organisations. The Federal Environment Department explains:

*The objective of the register is to assist environmental organisations to obtain financial support from the community for use in the conservation and protection of the natural environment, by providing a tax incentive mechanism for the community to donate to those organisations.*<sup>1</sup>

From an economic perspective this makes sense - governments fund activities that provide a public good, like environmental protection, while they penalise or tax things that damage the public interest like pollution. The tax-deductible status of environmental donations reduces tax revenue, but increases environmental protection and potentially the need for government expenditure on environmental protection.

### What is an Environmental Organisation?

To be on the Register of Environmental Organisations and receive “deductible gift recipient” (DGR) status, an organisation must have at least 50 financial or voting members and have as its principal purpose:

*(a) the protection and enhancement of the natural environment or of a significant aspect of the natural environment; or*

*(b) the provision of information or education, or the carrying on of research, about the natural environment or a significant aspect of the natural environment.*<sup>2</sup>

593 organisations are on the register and 23 others have DGR status through applications to the Income Tax Assessment Act which predate the Register, which began in 1992.<sup>3</sup>

There are also organisations that are involved in environmental issues and have DGR status that are not on the Register of Environmental Organisations or mentioned specifically in the Tax Assessment Act. For example, Oxfam comments and campaigns on a range of environmental issues and has DGR status. Its DGR status stems from being a public benevolent institution on the Australian Charities and Not-for-profits Commission (ACNC) Register.<sup>4</sup>

DGR status is available to organisations involved in a range of fields including health, education, research, international affairs and cultural organisations. Some of these organisations may also be involved in environmental issues but are not on the Register of Environmental Organisations. For example, The Australia Institute often comments on environmental issues and has DGR status. Our DGR status is as an Approved Research Institute, rather than an Environmental Organisation.

---

<sup>1</sup>[http://www.environment.gov.au/system/files/pages/53ca6702-48ad-414a-bf24-60e253d5ad0d/files/reo-guide-2003\\_0.pdf](http://www.environment.gov.au/system/files/pages/53ca6702-48ad-414a-bf24-60e253d5ad0d/files/reo-guide-2003_0.pdf)

<sup>2</sup> Income Tax Assessment Act 1997, subdivision 30 – E, available here <http://www.comlaw.gov.au/Details/C2014C00468>

<sup>3</sup> <http://www.environment.gov.au/about-us/business/tax/register-environmental-organisations/listed-organisations>

<sup>4</sup> [https://www.acnc.gov.au/ACNC/FindCharity/Search\\_the\\_ACNC\\_Register/ACNC/OnlineProcessors/Online\\_register/Search\\_the\\_register.aspx](https://www.acnc.gov.au/ACNC/FindCharity/Search_the_ACNC_Register/ACNC/OnlineProcessors/Online_register/Search_the_register.aspx)

## **Inquiry into the Register of Environmental Organisations**

House of Representatives Standing Committee on the Environment has begun an inquiry into the Register of Environmental Organisations, with terms of reference to inquire into:

- the definition of 'environmental organisation';
- the requirements of the Register and to maintain a listing;
- activities undertaken by organisations and the extent to which these are on-ground environmental works;
- reporting requirements
- the administration of the Register and potential efficiency improvements;
- compliance arrangements and the measures available to investigate non-compliance; and
- arrangements in other countries.<sup>5</sup>

The mining industry has pushed for this inquiry. The mining industry objects to the tax deductible status of environmental organisations, as many environmental organisations are critical of the mining industry. Companies such as Whitehaven Coal have gone as far as saying environmental organisations pose a threat to their business and urging the wider industry into action:

*We need to continue to push to challenge the way these people are funded.*<sup>6</sup>

All major mining lobby groups have made submissions to the inquiry, with a central theme that DGR status of environment groups represents lobbying at a substantial loss to taxpayers:

*[Eligibility] for Deductible Gift Recipient status represents a significant cost to taxpayers in the form of tax revenue forgone.*<sup>7</sup>

The mining lobby concern for the taxpayer comes at a time when tax avoidance by mining companies has been attracting headlines and featuring in other parliamentary inquiries. In this report we consider how much DGR status for environment groups is costing Australian taxpayers and what the taxpayer gets for this money. We compare this to the mining industry's spending on lobbying, which is also tax deductible, and how much mining lobbying is costing the taxpayer in terms of tax deductibility and the results of that lobbying.

## **How much does DGR status of environmental organisations cost the taxpayer?**

The NSW Minerals Council in its submission to the Inquiry into the Register of Environmental Organisations says that there is a "significant amount of tax lost through professional activist groups like Lock the Gate receiving Deductible Gift Recipient status." An appendix to their submission shows that 16 key groups with DGR status receive a combined average of at least \$78 million a year. The Minerals Council of Australia's submission claims a similar figure, but shows no sources or working.

---

<sup>5</sup>[http://www.aph.gov.au/Parliamentary\\_Business/Committees/House/Environment/REO/Terms\\_of\\_Reference](http://www.aph.gov.au/Parliamentary_Business/Committees/House/Environment/REO/Terms_of_Reference)

<sup>6</sup>[http://www.miningaustralia.com.au/news/green-activists-called-out-on-tax-deductible-donat?utm\\_source=dlvr.it&utm\\_medium=twitter](http://www.miningaustralia.com.au/news/green-activists-called-out-on-tax-deductible-donat?utm_source=dlvr.it&utm_medium=twitter)

<sup>7</sup> Submission 260 – NSW Minerals Council, p13

The NSW Minerals Council claim the DGR status of the organisations leads to a loss to the taxpayer of \$18 million per year. This figure is likely to be greatly overstated.

The NSW Minerals Council assumes that the \$78 million represents the amount of money donated to these organisations and can therefore be deducted from the donors income. The \$78 million is not, however, the total donated to these organisations but is rather their revenue.

Revenue for these organisations can potentially be very different from donations. For example it is common for environmental organisations to invest large gifts or bequests in income-bearing investments. Some build up a large investment portfolio and derive income from it. Returns from these investments are not tax deductible for most organisations on the Register.

These organisations might also provide things like training or other services for a fee. Such fees are not tax deductible. Organisations can receive revenue from a wide range of sources apart from donations.

The NSW Minerals Council has not just assumed that all the revenue going to these organisations are donations, they have also assumed that all these donations will be used by the donor as a tax deduction. It is likely that many donors, particularly those making small or ad hoc donations, do not actually claim their deduction as they forget or fail to keep the appropriate paperwork. The NSW minerals council makes no attempt to estimate how much this loss might be.

The NSW Minerals Council also assumes that all donors are tax payers. Donations by low income individuals or those on benefits, such as students, don't pay tax and so such a deduction has no cost to the tax payer. Retired individuals living on the age pension and/or superannuation savings also pay no tax. Donations from retired people would also come at no cost to the tax payer.

While a cost of \$18 million a year is tiny in the context of the Australian government's budget of \$377 billion, even this figure is likely to be an exaggeration of the actual cost.<sup>8</sup>

## **What does the taxpayer get in return for DGR status?**

Local, state and national environmental groups ensure better standards of environmental protection of environmental assets across the country. Without their efforts, many environmentally damaging mining projects would proceed against the public interest with inadequate monitoring or compensation for damage.

### **Local – Lithgow NSW, temperate highlands peat swamps**

Local environment groups play a key role holding mining and coal seam gas companies to account. This delivers both social and environmental outcomes. For example, in 2011 Centennial Coal caused significant damage to an endangered ecosystem, the temperate highlands peat swamps, near Lithgow in NSW. Damage to the ecosystem due to mining activities meant that the "swamps can no longer serve their important hydrological role of acting as water filters and releasing water slowly to downstream watercourses". The

---

<sup>8</sup> [http://www.budget.gov.au/2015-16/content/bp1/download/BP1\\_BS4.pdf](http://www.budget.gov.au/2015-16/content/bp1/download/BP1_BS4.pdf)



company had to pay \$1.45 million for the damage – a sum that would likely far exceed the cost to the taxpayer of the DGR status of local environment groups.

Three local environment groups played a key role in bringing this matter to the NSW government's attention. These groups were the Blue Mountains Conservation Society, the Colong Foundation for Wilderness and the Lithgow Environment Group. The first two groups have tax deductibility status while the latter does not. These groups did the groundwork for this matter, collecting field data and refuting the reports of Centennial consultants. Tax deductibility is a small price for the tax payer to pay to ensure companies do not cause needless environmental damage.

## State – Environment Victoria and Environmental Justice Australia – Hazelwood mine fire

Most states have an umbrella group to give a larger voice to many smaller, community based groups at a state level. Environment Victoria is one of Australia's leading environmental groups with over 70 affiliated partners. Environment Victoria and many of its affiliates have DGR status.

Additionally, most states have an environmental legal practice with DGR status. In most states they are known as Environmental Defenders Offices (EDOs), although Victoria's has recently reformed as Environmental Justice Australia.

Environment Victoria has long campaigned for the closure of the Hazelwood mine, Australia's dirtiest power station, and its replacement with a cleaner, safer alternative.

In February 2014 a fire started in the Hazelwood mine that burned for 45 days and sent ash and smoke over the town of Morwell in Victoria<sup>9</sup>. The fire imposed costs of more than \$100 million on the Victorian taxpayer, the local community and the owner, GDF Suez.<sup>10</sup>

Environment Victoria's work played a role in the formation of a judicial inquiry into the fire. During the inquiry Environment Victoria and Environmental Justice Australia demonstrated the inadequacies of mine regulation including the failure of the government to enforce appropriate fire prevention measures on the mine operator.<sup>11</sup>

## National – mining in Kakadu

National environmental groups like Australian Conservation Foundation (ACF), The Wilderness Society and Friends of the Earth played a role in limiting uranium mining in Kakadu, Australia's largest national park and a World Heritage listed site. All these groups have DGR status.

A Newspan survey found that nearly 70 per cent of Australians oppose the expansion of uranium mining in Kakadu.<sup>12</sup> National groups played a key role in supporting the Traditional

---

<sup>9</sup> Hazelwood Mine Fire Inquiry, The Hazelwood Mine Fire: Executive Summary <http://report.hazelwoodinquiry.vic.gov.au/executive-summary-2/hazelwood-mine-fire>

<sup>10</sup> Hazelwood coal mine fire: Vic Govt yet to enforce GDF Suez payment (2015) 19 January <http://www.abc.net.au/news/2015-01-19/hazelwood-coal-mine-fire-no-decision-yet-on-gdf/6025558>

<sup>11</sup> <http://environmentvictoria.org.au/our-successes>

<sup>12</sup> [http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=\(Dataset%3Acommсен ,commrep,commjnt,estimate,commbill%20SearchCategory\\_Phrase%3Acommittees\)%20CommitteeName\\_Phrase%3A%22environment,%20communications,%20information%20technology%20and%20the%20arts%20references%20committee%22%20Questioner\\_Phrase%3A%22senator%20payne%22;rec=4](http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=(Dataset%3Acommсен ,commrep,commjnt,estimate,commbill%20SearchCategory_Phrase%3Acommittees)%20CommitteeName_Phrase%3A%22environment,%20communications,%20information%20technology%20and%20the%20arts%20references%20committee%22%20Questioner_Phrase%3A%22senator%20payne%22;rec=4)



Owners, the Mirrar people, in their bid to prevent the development of the Jabiluka uranium mine in Kakadu. In 1997, a national campaign launched against Jabiluka by the Mirrar people was primarily coordinated by the Australian Conservation Foundation (ACF), The Wilderness Society and Friends of the Earth. A blockade of the Jabiluka mine site occurred in 1998 and drew over 5,000 protesters from across Australia and the world.<sup>13</sup> The campaign was a success and in 2003 the mine site was backfilled and cleaned up.<sup>14</sup> In 2005 Energy Resources Australia signed an agreement with the Traditional Owners that they must secure the consent from the Jabiluka land owners before any future development.<sup>15</sup> In 2005 Rio Tinto stated that “given (public and indigenous) opposition, and current market circumstances...it would be hard for us to support a development [of Jabiluka] in the short term”<sup>16</sup>.

## How much does lobbying by the mining industry cost the taxpayer?

The mining and fossil fuel industries spend large sums of money on political lobbying. It does this through its industry lobby groups, as well as hired third-party lobbyists and “in-house” lobbying by members of staff meeting with political representatives and other officials. Most lobbying expenses are tax-deductible.

### Lobbying is tax deductible

Lobbying expenses are tax-deductible as a business expense. As the Australian Tax Office (ATO) puts it:

*Most expenses you incur in running your business are tax deductible.*<sup>17</sup>

The ATO finds it easier to list business expenses that are not tax deductible:

- *private or domestic expenses, such as childcare fees or clothes for your family*
- *expenses relating to income that is not taxable, such as money you earn from a hobby*
- *expenses that are specifically non-deductible, such as entertainment and parking fines’.*

Membership of industry groups qualifies as an approved deduction, as does the payment for any service provided by a lobby group, legal firm, advertisers, public relations firms and so on. In-house legal work, government relations work and similar work can be included in

<sup>13</sup> Disko S and Tugendhat H (2014) World Heritage Sites and Indigenous People’s Rights, IWGIA, Copenhagen, November.

[http://www.academia.edu/9484423/No\\_Straight\\_Thing\\_Experiences\\_of\\_the\\_Mirrar\\_Traditional\\_Owners\\_of\\_Kakadu\\_National\\_Park\\_with\\_the\\_World\\_Heritage\\_Convention](http://www.academia.edu/9484423/No_Straight_Thing_Experiences_of_the_Mirrar_Traditional_Owners_of_Kakadu_National_Park_with_the_World_Heritage_Convention)

<sup>14</sup> ACF (2013) A decade without damage: Jabiluka campaign success, but Kakadu still faces radioactive risk, August 13  
<http://www.acfonline.org.au/news-media/media-release/decade-without-damage-jabiluka-campaign-success-kakadu-still-faces>

<sup>15</sup> ERA signs long term Jabiluka agreement (2005) Sydney Morning Herald, 25 February  
<http://www.smh.com.au/articles/2005/02/25/1109180077764.html>

<sup>16</sup> The Wilderness Society (2013) Key Environment Groups Welcome Move To Stop Jabiluka, 15 October  
<http://wilderness.org.au/key-environment-groups-welcome-move-stop-jabiluka#sthash.vRUBJxw2.dpuf>

<sup>17</sup> <https://www.ato.gov.au/business/income-and-deductions-for-business/what-you-can-claim-and-when/allowable-deductions/>

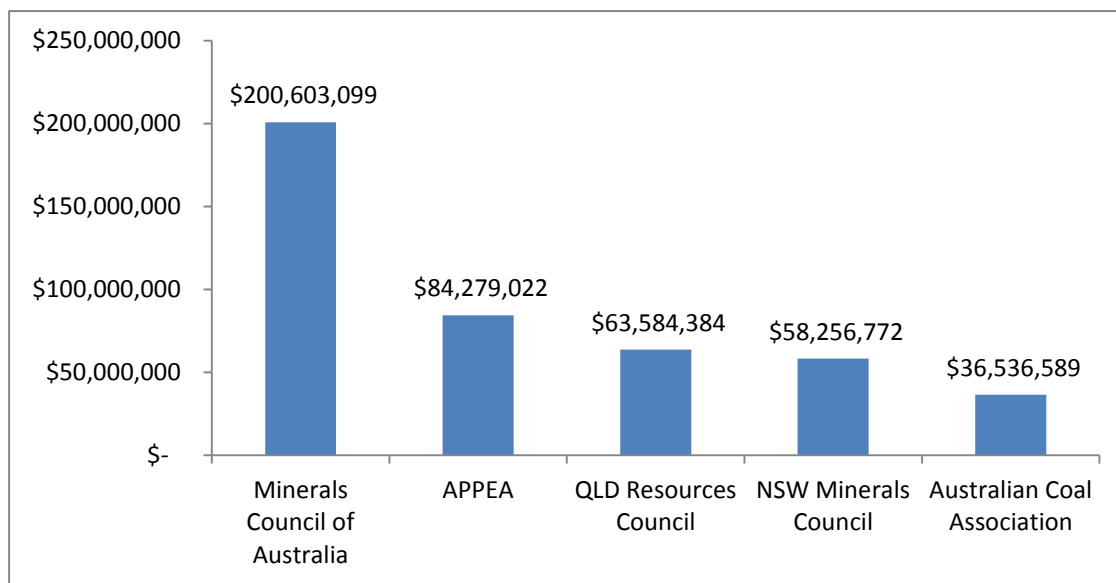
allowable expenses. Indeed, there would not normally be any need to separately identify the tasks undertaken by different employees in a business.

All these expenses reduce a business' taxable income, which is taxed at the company tax rate of 30 per cent.<sup>18</sup>

### Industry lobby groups

The mining and fossil fuel industry has spent hundreds of millions on its major lobby groups over the last ten years. All these groups were influential in calling for the inquiry into the Environmental Register and have made submissions. The total revenue for the groups shown in Figure 1 below is \$484 million:

**Figure 1: Total lobby group revenue 2004-05 to 2014-15**

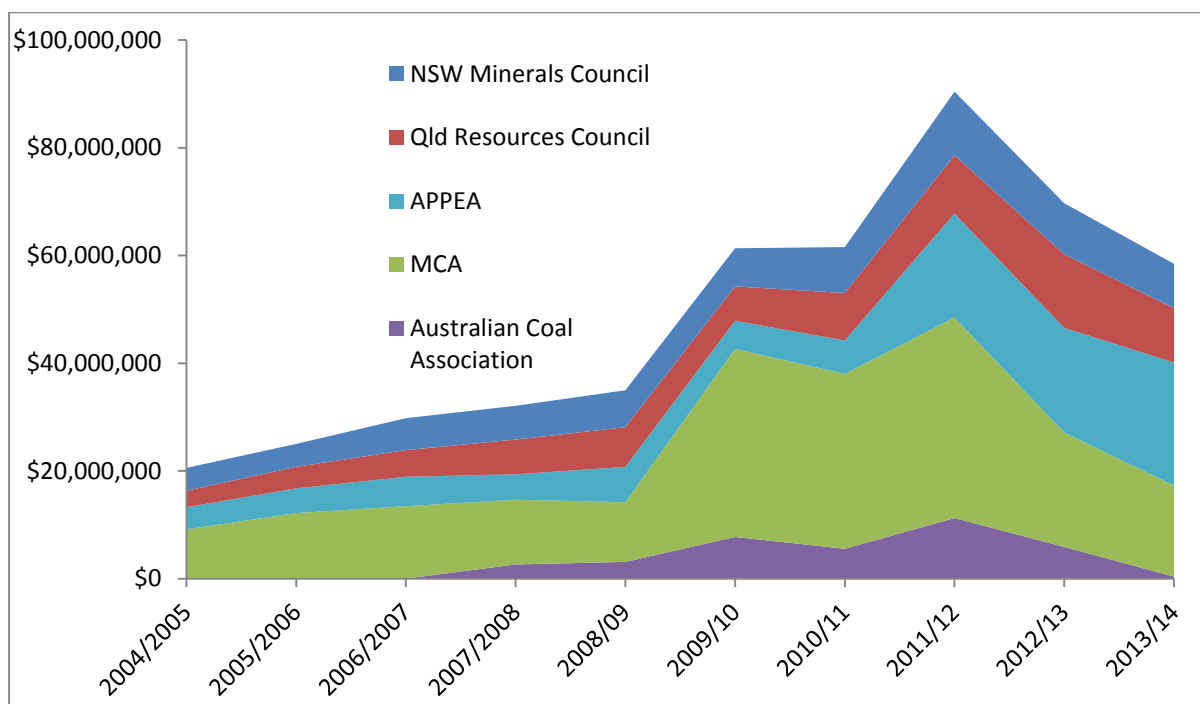


Sources: Annual reports and financial statements to the Australian Securities and Investments Commission. Note that Minerals Council of Australia figures are for the calendar year eg in 2011/12 column the figures are for the 2012 calendar year.

As shown in Figure X, by far the best funded industry lobby group is the Minerals Council of Australia (MCA), with turnover of over \$200 million over the last ten years, more than twice any of the other groups. The MCA's revenue increased substantially in the lead up to the debate over Australia's Minerals Resource Rent Tax, as shown in Figure 2 below:

<sup>18</sup> <https://www.ato.gov.au/Rates/Company-tax/>

Figure 2: Lobby group revenue by year 2004-05 to 2014-15



Sources: Annual reports and financial statements to the Australian Securities and Investments Commission. Note that Minerals Council of Australia figures are for the calendar year eg in 2011/12 column the figures are for the 2012 calendar year. Note that in 2013 the Australian Coal Association Directors of the Australian Coal Association decided to wind the company up within 12 months. The figures include the reduced incomes in the year following.

Figure 2 shows that while revenue for the MCA has declined in recent years, the Australian Petroleum Production and Exploration Association (APPEA) has seen large increases in revenue as major gas projects approach completion and as political opposition to coal seam gas has increased. Revenue to these groups peaked in 2011-12 at \$93 million and has averaged \$68 million per year over the last 5 years.

Assuming that all lobby group revenue is deductible from mining companies' taxable income, which is taxed at 30 per cent, the total expenditure on these groups has reduced company tax by \$145 million dollars. On average over the last five years, company tax revenue has been reduced by \$20 million dollars per year.

However, the \$500 million spent on these prominent mining industry lobby groups is the tip of the lobbying iceberg. Further tax-deductible lobbying occurs through third-party lobbying firms and in-house lobbyists.

### Third-party lobbying

Third-party lobbying firms are independent companies who lobby governments and officials on behalf of their clients. Third-party lobbyists who engage the Commonwealth Government are required to be on the Australian Government Register of Lobbyists, which lists 266 different lobbying companies.<sup>19</sup>

The mining industry utilises 41 separate firms on the Register. To put this in context, while mining employing less than 2 per cent of the workforce and accounts for nine per cent of Australia's gross domestic product, it employs 15 per cent of the firms on the federal lobbying

<sup>19</sup> ([http://lobbyists.pmc.gov.au/who\\_register.cfm](http://lobbyists.pmc.gov.au/who_register.cfm)).

register.<sup>20 21</sup>

## In-house lobbying and public relations staff

As well as funding industry lobby groups, and engaging the services of external registered lobbyists, resource companies also spend money on internal lobbying, advertising and public relations. Some companies boast about their internally funded lobbying activity, while others appear reluctant to talk about it.

### *Peabody Energy*

Peabody Energy is a large American coal company with mines in Australia. Peabody considers lobbying to promote coal as a form of public service and so discusses “Political and Lobbying Activities” at length in its *Corporate Social Responsibility Report*:

*We believe it is essential for us to participate constructively and responsibly in the political process to help shape the proper framework for global energy, environmental and economic policies.*<sup>22</sup>

*... We actively lobby the U.S. Congress and state legislatures on a number of important public policy issues, such as access to resources, taxes, energy policy, trade, and environmental legislative and regulatory policy. From time to time, Peabody also participates in grassroots lobbying with respect to legislation affecting our business.*<sup>23</sup>

Peabody’s 2013 *Corporate Social Responsibility* report says the company spent over \$250,000 that year on US political contributions, given “when we determine doing so to be in the best interests of the company”.<sup>24</sup> Peabody also explains that it spent \$2.76 million on US federal lobbying activities.<sup>25</sup>

Peabody’s reports do not contain information on lobbying expenses in Australia. However, given the company’s prominent campaign promoting coal in the lead up to and during the G20 meeting held at Brisbane, these expenses are likely to be considerable.

### *Santos*

While Peabody is eager to tell the world about its lobbying and political activities, Australian oil and gas company Santos is less enthusiastic.

Santos’ 2014 *Annual Report* lists a “Government Relations and Public Affairs” team as part of its Corporate Centre, which it says is responsible for “the company’s engagement with communities and governments.”<sup>26</sup> No separate data is provided for this expense, which is included in total “corporate” activity of \$93 million in 2014.<sup>27</sup>

<sup>20</sup> <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.003Feb%202015?OpenDocument>

<sup>21</sup> <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5206.0Mar%202015?OpenDocument>

<sup>22</sup> Peabody, (2013) *Corporate Social Responsibility Report*, accessed online 11 June <[https://mscusppegrs01.blob.core.windows.net/mmfiles/files/2013\\_csrr.pdf](https://mscusppegrs01.blob.core.windows.net/mmfiles/files/2013_csrr.pdf)>, p

<sup>23</sup> Peabody, (2013) *Corporate Social Responsibility Report*, p27

<sup>24</sup> Peabody, (2013) *Corporate Social Responsibility Report*, p29, Includes donations from PAC.

<sup>25</sup> Peabody, (2013) *Corporate Social Responsibility Report*, p27

<sup>26</sup> Santos (2014) *Annual Report*, accessed online 11 June [http://www.santos.com/library/2014\\_Annual\\_Report.pdf](http://www.santos.com/library/2014_Annual_Report.pdf) p2 (of file, before p1 of report)

<sup>27</sup> Santos (2014) *Annual Report*, p8

At Santos' 2015 Annual General Meeting, a shareholder asked how much Santos spends on "political lobbyists" and where this had provided a benefit to shareholders. David Knox, CEO, said:

*Our spending on political lobbyists is effectively zero. In my time as CEO basically I don't believe in using them. I think my staff, particularly my senior management team are far better lobbyists than anything else.*<sup>28</sup>

Asked why Santos is listed as a client on the federal and numerous state lobbyist registers, Knox replied "We may be on registers, but that doesn't mean we're using them."<sup>29</sup>

(Currently, the federal lobbyist register lists Santos as a client of lobbyist Craig Emerson, former Labor Minister.)<sup>30</sup>

The CEO of Santos may try to distance his company from external lobbyists, but it is clear his company sees the value to shareholders of hiring people with lobbying expertise and government networks. Knox did not mention that Santos currently employs a substantial Government Relations and Public Affairs team with number of staff previously employed by registered lobbying firms, as well as staff from government departments and as advisors to Ministers, as shown in Table 1.

**Table 1 - Current Santos Public Affairs staff - selected**<sup>31</sup>

Name	Current role at Santos	Previous roles
<b>Matt Doman</b>	Manager of Public Affairs for Eastern Australia	Director of Australian Public Affairs, a registered lobby firm;  Media advisor to Senator Nick Minchin.
<b>Armon Hicks</b>	Manager of Public Affairs NSW	Partner and Director at Kraeb Gavin Anderson, a registered lobby firm.
<b>Damon Hunt</b>	Group Executive for Public Affairs	Public relations consultant at Register Larkin and Hunt Media and Communications;  Press secretary to "a federal minister".
<b>Robert Underdown</b>	Manager, Group Government and Public Policy	Director of Economic Development Board of South Australia;  Policy advisor to the South Australian Premier.

In addition, one previous Manager of "Policy and Government", Sam Crafter, is now working for the Premier of South Australia.

<sup>28</sup> Santos (2015) *Annual General Meeting*, recording, accessed online 11 June <[http://events.knowledgevision.com.s3.amazonaws.com/staging/santos\\_agm\\_2015.html](http://events.knowledgevision.com.s3.amazonaws.com/staging/santos_agm_2015.html)> at approx. 45 minutes.

<sup>29</sup> Ibid.

<sup>30</sup> Prime Minister and Cabinet (2015) *Federal Lobbyists Register*, accessed online 11 June, <[http://lobbyists.pmc.gov.au/register/view\\_agency.cfm?id=683](http://lobbyists.pmc.gov.au/register/view_agency.cfm?id=683)>

<sup>31</sup> Information from LinkedIn profiles, accessed 11 June 2015.

Santos' staffing preferences are common in the New South Wales coal seam gas (CSG) industry, as Anne Davies outlined in a recent investigation for the *Sydney Morning Herald*. CSG companies are trying to convince NSW to allow greater CSG production, against significant public concern.

*Assisting the industry are an army of former political staff and former politicians, many of whom had a role in the regulation of the industry before jumping the fence to industry. A few have come back the other way, moving from senior jobs in the major gas companies to senior advising roles in ministers offices. ...*

*Given the deep pockets and extraordinary reach of the mining and gas industry into all levels of government, it's hardly surprising that community groups often feel outgunned in the lobbying stakes.<sup>32</sup>*

## Newcrest

Many other Australian resource companies are similarly reluctant to describe their internal public affairs or lobbying activity. For example, Newcrest's *Sustainability Report* states simply that they

*have input into the development of relevant government policy mainly via membership of industry bodies in the various jurisdictions in which we operate. From time to time, Newcrest will also make submissions and representations in its own right.<sup>33</sup>*

As "Examples of stakeholder approach" with "Government and regulators", Newcrest lists activities such as "Open and collaborative face-to-face engagement... Direct engagement on matters of local importance... Media engagement on localised initiatives."<sup>34</sup>

However, Newcrest does not describe how much it spends on attempting to influence government policy nor examples where it has been successful.

## BHP Billiton

Similarly BHP Billiton, Australia's biggest miner, does not outline staffing levels or expenditure on internal public affairs capacity. However, it is clear that it has extensive internal public affairs and government relations capacity across its portfolio of operations.<sup>35</sup>

BHP's Olympic Dam mine complex also provides an example of how governments may be willing to fund programs to give industry relations with government decision making more favourable to project development. Over a number of years the South Australian government has funded The Olympic Dam Task Force, a government funded program "to facilitate the proposed expansion of the Olympic Dam mine, and to provide BHP Billiton with a single entry point to government."<sup>36</sup> The South Australian government has also established an "Indenture" by an act of parliament to provide BHP with greater control and favourable

---

<sup>32</sup> Davies, A. (2015) "CSG industry hires well-connected staffers", *Sydney Morning Herald*, 25 May, accessed online 11 June <<http://www.smh.com.au/nsw/csg-industry-hires-wellconnected-staffers-20150524-gh2rg3.html>>

<sup>33</sup> Newcrest (2014) *Sustainability Report*, accessed online 11 June <[http://www.newcrest.com.au/media/sustainability\\_reports/newcrest\\_sustain\\_2014\\_72dpi\\_web.pdf](http://www.newcrest.com.au/media/sustainability_reports/newcrest_sustain_2014_72dpi_web.pdf)> p14

<sup>34</sup> Newcrest (2014) *Sustainability Report*, p11

<sup>35</sup> Indicated in LinkedIn profiles for current and past BHP public affairs staff.

<sup>36</sup> South Australian Government (2015), "Olympic Dam Taskforce", accessed online 11 June url:<[http://minerals.dmitre.sa.gov.au/mines\\_and\\_developing\\_projects/approved\\_mines/olympic\\_dam/olympic\\_dam\\_task\\_force](http://minerals.dmitre.sa.gov.au/mines_and_developing_projects/approved_mines/olympic_dam/olympic_dam_task_force)>



conditions for the development of its Olympic Dam Mine complex. This includes variations of state law and charges for water for a large area containing the mine and its proposed expansion.<sup>37</sup>

### *Chevron*

Just as industry groups have run advertising campaigns to attempt to influence public attitudes and government policy, so too have individual companies. Chevron is an American oil and gas company with operations and proposals in Australia. While Chevron Australia has recently complained about its Australian tax liabilities, the structure of its internal finances have been criticised as a strategy for minimising tax liabilities.<sup>38</sup>

Chevron is currently running an advertising campaign called “We agree”.<sup>39</sup> A website and large newspaper ads emphasise the benefits of Chevron’s proposed gas expansions to the Australian economy and contains slogans such as “Value the Environment as Much as Energy”. TV and internet ads portray Chevron staff agreeing with ordinary Australians.

## **What does the taxpayer in return for tax breaks to industry lobbying**

In contrast to the activities of environment groups, which often deliver clear public benefit, tax-deductible lobbying from the mining industry tends to work against the public interest. For example:

- Lobbying by Rio Tinto and BHP Billiton has prevented an inquiry into the \$75 billion per year iron ore industry.<sup>40</sup>
- The MCA lobbies to maintain cheap diesel for mining companies, which costs Australian taxpayers over \$4.5 billion per year.<sup>41</sup>
- The mining industry lobbied heavily to repeal the Minerals Resource Rent Tax, or ‘mining tax’ which Budget Papers estimate has reduced tax revenue by \$5.3 billion over the forward estimates.<sup>42</sup>

<sup>37</sup> *Roxby Downs (Indenture Ratification) (Amendment of Indenture) Amendment Act 2011*, South Australia, accessed online 11 June <[http://www.legislation.sa.gov.au/LZ/V/A/2011/ROXBY%20DOWNS%20%28INDENTURE%20RATIFICATION%29%20%28AMENDMENT%20OF%20INDENTURE%29%20AMENDMENT%20ACT%202011\\_49/2011.49.UN.PDF](http://www.legislation.sa.gov.au/LZ/V/A/2011/ROXBY%20DOWNS%20%28INDENTURE%20RATIFICATION%29%20%28AMENDMENT%20OF%20INDENTURE%29%20AMENDMENT%20ACT%202011_49/2011.49.UN.PDF)>

<sup>38</sup> West, M, (2015) “Chevron’s tax winge doesn’t stack up”, *Sydney Morning Herald*, 7 June, url:<<http://www.smh.com.au/business/comment-and-analysis/chevrons-tax-whinge-doesnt-stack-up-20150607-ghik39.html>>

<sup>39</sup> Chevron Australia (2014), “Advertising – The Power of Human Energy”, accessed online 11 June <<https://www.chevronaustralia.com/aboutchevronaustralia/advertising>>

<sup>40</sup> <http://www.smh.com.au/federal-politics/political-news/tony-abbott-backing-away-from-iron-ore-inquiry-as-big-miners-come-out-swinging-20150520-gh52vj.html>, <http://www.industry.gov.au/industry/Office-of-the-Chief-Economist/Publications/Documents/res/ResourcesEnergyStatistics2014.pdf>

<sup>41</sup> [http://www.minerals.org.au/news/new\\_publication\\_-\\_powering\\_regional\\_australia\\_the\\_case\\_for\\_fuel\\_tax\\_credits](http://www.minerals.org.au/news/new_publication_-_powering_regional_australia_the_case_for_fuel_tax_credits), <http://www.tai.org.au/content/pouring-more-fuel-fire>

<sup>42</sup> See Budget Papers 2014-15, Budget Measures, papers 1 and 2.



## **Conclusion**

The DGR status of environmental organisations has a very small impact on tax revenue, but is important to the funding of local, state and national environmental organisations that deliver environmental benefits. They ensure real scrutiny of government decisions and industry practice around important environmental assets.

Importantly, these organisations provide a counterpoint to the hundreds of millions, perhaps billions, of dollars spent on lobbying by the mining industry in recent years. These lobbying expenses are also tax deductible and reduce tax revenue by far greater amounts.

This lobbying is effective. It has seen the disappearance of inquiries that BHP and Rio Tinto don't like, along with the end of the mining tax and the continuation of fuel subsidies, all at a cost of billions to the Australian taxpayer.