
CHAPTER 5:

AWU-FIME

Background

5.1 On 13 July 1994, *The Australian* published an article titled 'Union gets 20pc of super fund as management fee'. The following day, the same newspaper followed this up with another article: 'ABA denounces union-super pact'.¹¹²

5.2 This issue provoked some discussion in the committee during its hearing on 13 July 1994. It also provided an opportunity for the committee to seek the views of other industry players on the arrangement that had been entered into by the AWU/FIME Amalgamated Union and the administrators of the Nationwide Superannuation Fund (NSF), Professional Services Investment Pty Ltd (PSI).¹¹³ That arrangement involves twenty per cent of the 73 cent administration fee levied by the NSF and received by PSI being paid to the AWU-FIME by the PSI as a contractual obligation to cover some of the costs incurred by the union in marketing the fund.¹¹⁴

The sole purpose test

5.3 One of the committee's concerns about the arrangement between the AWU-FIME and the PSI was the question of whether there had been a breach of the sole purpose test under either the Occupational Superannuation Standards Act 1987 or the SIS Act, given that part of the

¹¹² See Appendix G

¹¹³ Namely, David Goodear and David Vernon of Jacques Martin Industry, who expressed opposition to the arrangement - Evidence, pp 139-141, 13 July 1994

¹¹⁴ AWU/FIME, SISREG Sub No 29
Steve Harrison, Evidence, p 486, 19 September 1994

administration fees reimbursed to the union had been used in providing scholarships to members of the union.¹¹⁵

5.4 Evidence given by Steve Harrison of the AWU/FIME and Michael Tyler, Chairman of PSI, to the committee on 19 September 1994 denied any breach of the sole purpose test.¹¹⁶ A letter from Paul Elliott, the Parliamentary Secretary to the Treasurer, published by the committee on 23 September 1994, supports this assertion. The ISC had provided Mr Elliott with information following a meeting between the ISC, the AWU-FIME, the trustees of NSF, and PSI. Mr Elliott's letter stated:

- * The agreement is between PSI and FIMEE, rather than between NSF and FIMEE, and it relates to the subcontracting of administration and promotional services to FIMEE. Although the trustees of NSF were aware of the agreement, they were not a party to it and were not concerned by it.
- * The administration fee earned by FIMEE is a commercial arrangement made on an arm's length basis...
- * The link between union scholarships and the fee derived by FIMEE ...has nothing to do with arrangements between NSF and PSI and is not a concern to either NSF or the ISC because the arrangement with FIMEE is on commercial terms.
- * ...

On the basis of the information and documentary evidence provided by NSF and FIMEE, the fees earned by FIMEE, and the linking of union scholarships and other benefits for union members, in return for services provided by FIMEE is not seen as inappropriate or a threat to the retirement incomes of NSF members.¹¹⁷(original emphasis)

¹¹⁵ Information concerning use of reimbursement provided by AWU-FIME, SISREG Sub No 29

¹¹⁶ Evidence, p 497, 19 September 1994

¹¹⁷ SISREG Sub No 31

Conclusion

5.5 Mr Elliott's letter referred to 'many factual inaccuracies' in the article by *The Australian*. The committee expresses the hope that such inaccuracies would in future be kept to a minimum to enable a climate of reasoned debate and discussion. The whole field of superannuation and retirement income policy is fraught with enough complications without the issue being further complicated by such misreporting.

5.6 In any event, the committee notes that this matter has raised some consternation in the superannuation industry, and understands that it is currently under examination by the ISC.