



RIVERS OF GOLD: HOW THE TRADE UNION MOVEMENT IS FUNDED BY INDUSTRY SUPER

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Executive summary

The Australian superannuation industry is a financial titan. With over \$2 trillion in total superannuation assets it represents one of the largest financial sub-sectors in the country.

Industry superannuation funds combined manage more than \$466 billion in assets. Industry superannuation funds have a peculiar model of administration involving board members that are nominated in their capacity as employer or employee representatives.

Our research has examined the annual reports of industry funds to collate the fees paid to board members, and to determine whether and how much money is paid in the form of directors' fees to third party organisations.

Our analysis highlights the significant sums of money that flow, via directors' fees, from industry superannuation funds directly to trade unions. Between the 2013-14 and 2016-17 financial years, trade unions received \$18,438,516 (in 2017 dollar terms). By comparison, employer or industry groups received \$2,076,756, while other third parties received \$5,633,099.

The top 5 biggest union recipients were:

- Construction, Forestry, Mining and Energy Union (CFMEU) – \$2,884,168
- United Voice – \$2,386,164
- Australian Council of Trade Unions – \$2,050,363
- Australian Workers Union (AWU) – \$1,796,158
- Australian Manufacturing Workers' Union (AMWU) – \$1,495,898

This report highlights the need for reform to the superannuation system to ensure that governance structures are such that fund members' interests are protected.

Introduction

Superannuation has been a relevant public policy consideration in Australia since at least 1915, when the *Income Tax Assessment Act 1915* created a taxation exemption for superannuation fund earnings.

The tax treatment of superannuation funds was subject to many changes over the next several decades but it wasn't until the mid-1970s that governments began the process of universalising superannuation.

In 1976, Keith Hancock handed down a report into superannuation commissioned by the Whitlam government in 1973. The report, 'A national superannuation scheme for Australia: final report of the National Superannuation Committee of Inquiry' recommended the establishment of universal pension system. The scheme was to have a contributory element and was designed to encourage voluntary savings.

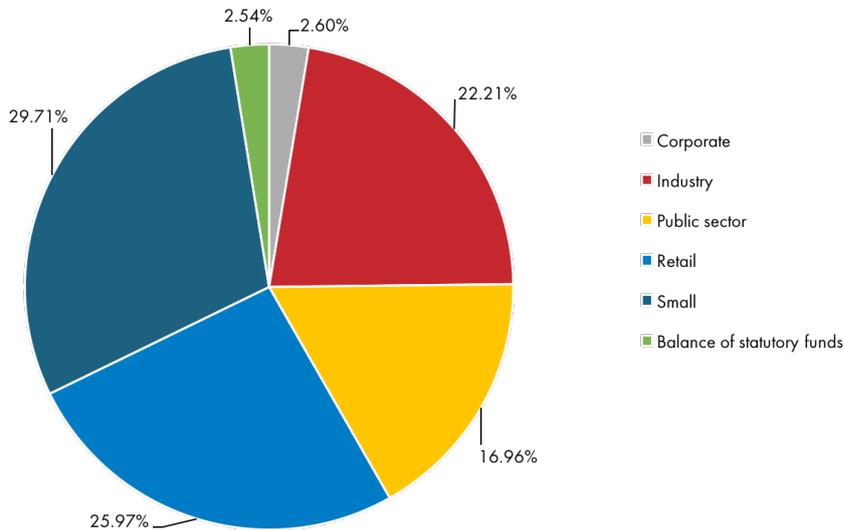
In 1983, then Treasurer Paul Keating announced that the Hawke government would support the establishment of an employee superannuation scheme. A year later, the first industry fund was established. CBUS became the superannuation fund of the building industry, with a board comprising directors from both employee and employer representative groups.

Since that time, industry funds have grown substantially in terms of both members, and assets under management. There are now more than 13 million accounts held with industry superannuation funds, and, in total, industry superannuation funds manage more than \$466 billion in assets.

Superannuation fund types

The Australian Prudential Regulation Authority classifies superannuation funds into six functional categories: corporate funds, industry funds, public sector funds, retail funds, small funds and balance of life office statutory funds.

Chart 1: Superannuation fund types by total assets (June 2016)



Corporate funds are not for profit, registrable superannuation entities with more than four members. They are arranged by corporate employers for the benefit of their employees.¹ Companies that offer employees corporate superannuation schemes include Commonwealth Bank and Goldman Sachs.²

Industry funds are not for profit, registrable superannuation entities with more than four members. They have a mixed general and industry membership, with board representation from both employer and employee representative bodies. They typically offer a small number of investment options. Industry funds include Australian Super and UniSuper.³

Public sector funds are not for profit, registrable superannuation entities with more than four members. Public sector funds have a government membership base.⁴

1 Australian Prudential Regulation Authority, Statistics: *Annual Superannuation Bulletin* (1 February 2017) 11 <<http://www.apra.gov.au/Super/Publications/Documents/2017ASBEXCEL201606%20-%20PDF.pdf>>.

2 Andrew Main 'Corporate funds top super performers' *The Australian*, 10 January 2013 <<http://www.theaustralian.com.au/business/financial-services/corporate-funds-top-super-performers/story-fn91wd6x-1226550709246>>.

3 Trish Power, *Kingpins of super: 20 largest super funds* (22 January 2014) SuperGuide <<http://www.superguide.com.au/boost-your-superannuation/top-20-largest-super-funds>>.

4 Australian Prudential Regulation Authority, above n 21.

Retail funds are for profit, registrable superannuation entities with four or more members. Retail funds have a general membership base, and typically offer a large number of investment options. Retail funds include AMP Superannuation Savings Trust and Colonial First State FirstChoice Superannuation Trust.⁵

Each of these funds is regulated by the *Superannuation Industry (Supervision) Act 1993* (Cth).

Table 1: Characteristics of superannuation fund types

Fund type	APRA regulated?	More than four members?	For profit?	Membership base
Corporate funds	Yes	Yes	No	Corporate
Industry funds	Yes	Yes	No	Industry/general
Public sector funds	Yes	Yes	No	Government
Retail funds	Yes	Yes	Yes	Corporate/Industry/General
Small funds	No (ATO regulated)	No	N/A	General
Self-managed funds	No (ATO regulated)	No	N/A	General

⁵ Power, above n 23.

Follow the money: Payments from industry superannuation funds to trade unions

Our research analyses the way money flows from industry superannuation funds to individual executive officers and third party organisations in the form of directors' fees.

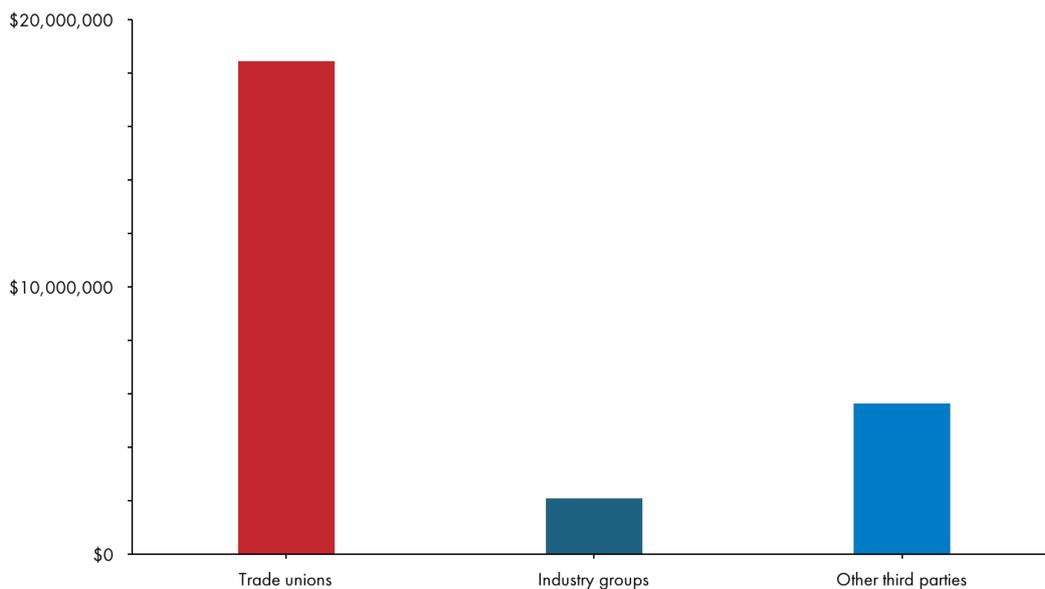
Section 29QB of the *Superannuation Industry (Supervision) Act 1993* requires that the licensee of a registrable superannuation entity must ensure that details of the remuneration of each executive officer and individual trustee in relation to the RSE are made publicly available, being details of a kind prescribed by the regulations. The *Superannuation Industry (Supervision) Regulations 2014* includes a table of what remuneration details should be included. Item 16 of the table under clause 2.37 includes:

<p>If an amount attributable to the service of a relevant executive officer who is a director, or a relevant individual trustee, for the most recently completed financial year is paid to an organisation or entity rather than to the relevant executive officer or relevant</p>	<p>(a) The amount; and (b) the name of the organisation or entity</p>
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individual trustee

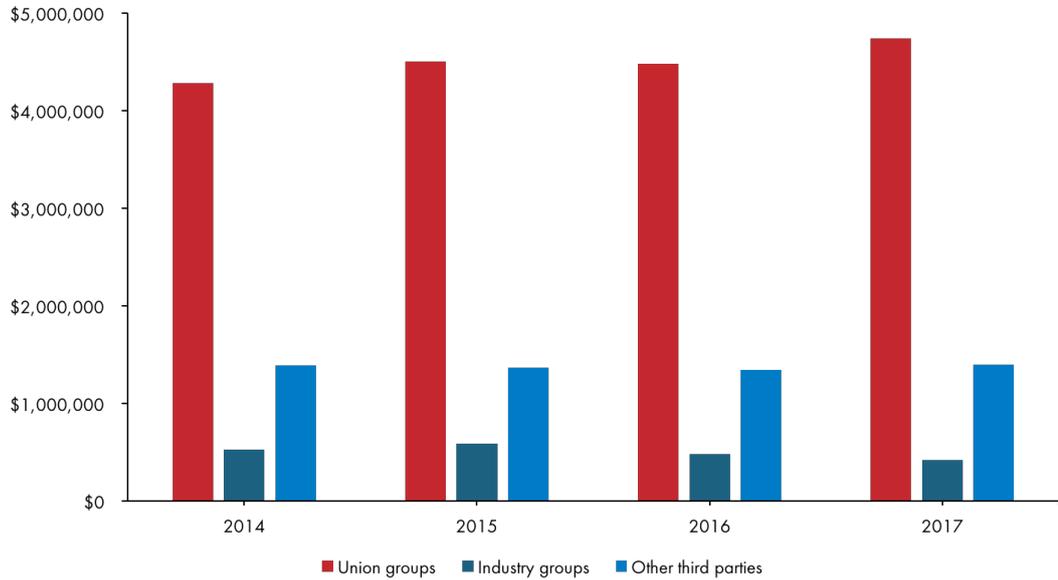
The stated reason for these third party payments is to compensate an employer for a director giving their time to an industry superannuation fund. While these third parties include trade unions, employer and industry groups and a range of other third parties, our analysis has found that from 2013-14 to 2016-17, almost 70 per cent of all third party payments of directors' fees were made directly to trade unions. The distribution of all third party payments, amounting to \$26.14 million between 2013/14 to 2016/17, is represented in Chart 2:

Chart 2: Total directors' fees paid to third parties: 2013/14 to 2016/17 (in 2016/17 dollars)



The total quantum of money flowing from industry superannuation funds to the trade union movement is substantial. This has been consistent in each year from 2013-14 to 2016-17 (Chart 3):

Chart 3: Directors' fees paid to third parties by year: 2013/14 to 2016/17 (in 2016/17 dollars)



Many of the largest single payments are also very significant. The top 30 single payments from industry superannuation funds to third parties expose a significant bias towards trade unions, with 19 of the top 30 payments going to a variety of unions (Table 2). Moreover, trade unions dominate the list of top 10 total recipients from 2013-14 to 2015-16 (Table 3).

Table 2: Top 30 single payment of directors' fees to a third party 2013-14 to 2016-17

Industry Fund	Director	Recipient third party	Year	Amount
TWU Superannuation	David Galbally	Madgwick Lawyers	2014-15	\$277,200
TWU Superannuation	David Galbally	Madgwick Lawyers	2015-16	\$277,200
TWU Superannuation	David Galbally	Madgwick Lawyers	2016-17	\$277,200
TWU Superannuation	David Galbally	Madgwick Lawyers	2013-14	\$238,700
Mine Wealth & Wellbeing	Grahame Kelly	CFMEU	2016-17	\$177,350
Statewide	Greg Boulton	Greg Boulton & Associates Pty Ltd	2013-14	\$148,177
First Super	Allan Stewart	Allan Stewart and Associates Pty Ltd	2013-14	\$146,102
Mine Wealth & Wellbeing	Grahame Kelly	CFMEU	2015-16	\$141,000
Australian Super	Brian Daley	United Voice	2016-17	\$134,689
Australian Super	Brian Daley	United Voice	2015-16	\$128,800
First Super	Allan Stewart	Allan Stewart and Associates Pty Ltd	2015-16	\$123,200
Australian Super	Brian Daley	United Voice	2014-15	\$122,659
First Super	Allan Stewart	Allan Stewart and Associates Pty Ltd	2014-15	\$122,012
Cbus	Glenn Thompson	AMWU	2015-16	\$121,568
Club Plus	Tara Moriarty	LHD – United Voice (NSW)	2016-17	\$111,977
Sunsuper	Ben Swan	The Australian Workers' Union of Employees	2016-17	\$111,271
HOSTPLUS	Peter Collins	Werrington House Trust	2016-17	\$109,950
HOSTPLUS	Robyn Buckler	United Voice	2014-15	\$109,400
HOSTPLUS	Robyn Buckler	United Voice	2013-14	\$109,404
Maritime Super	Padraig Crumlin	Maritime Union of Australia	2016-17	\$105,913
Sunsuper	Ron Monaghan	Queensland Council of Unions	2014-15	\$105,912
Sunsuper	Ben Swan	The Australian Workers' Union of Employees	2015-16	\$104,061
Statewide	Greg Boulton	Greg Boulton & Associates Pty Ltd	2014-15	\$103,802
Mine Wealth & Wellbeing	Grahame Kelly	CFMEU	2014-15	\$103,000
Mine Wealth & Wellbeing	Mark Watson	CFMEU	2016-17	\$102,700
HOSTPLUS	Brian Daley	United Voice	2014-15	\$99,675
HOSTPLUS	Timothy Lyons	Reveille Strategy Pty Ltd	2016-17	\$95,609
LUCRF	Tim Kennedy	National Union of Workers	2016-17	\$94,951
Mine Wealth & Wellbeing	Graeme Osborne	CFMEU	2016-17	\$93,333
Sunsuper	Ron Monaghan	Queensland Council of Unions	2013-14	\$93,304

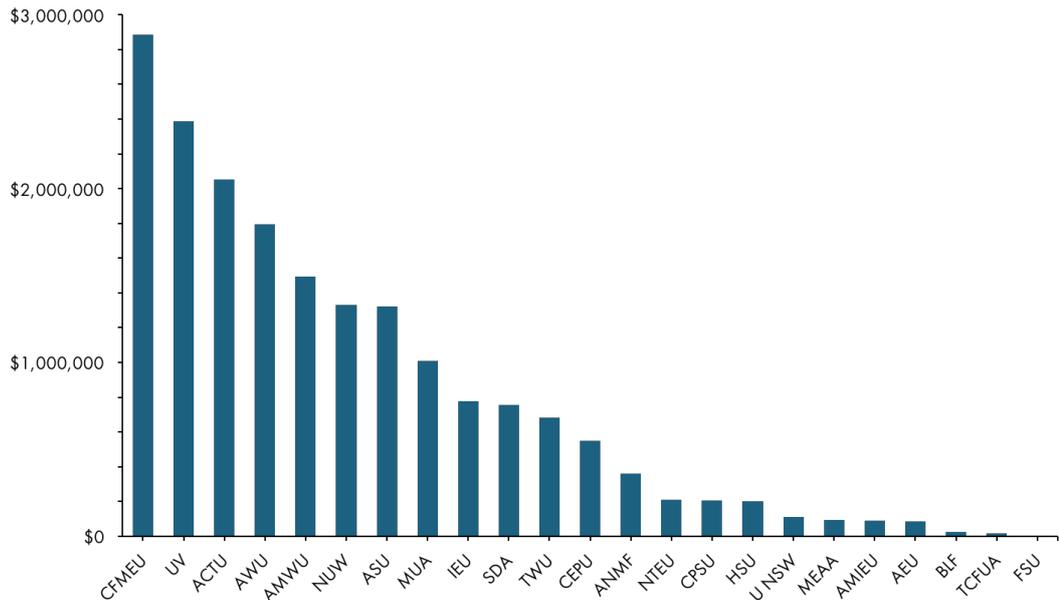
Trade union	Industry or employer group	Employer
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Table 3: Top 10 third party recipients of directors' fees (in 2016/17 dollars)⁶

Recipient organisation	Payments
Construction, Forestry, Mining and Energy Union (CFMEU)	\$2,884,168
United Voice	\$2,386,164
Australian Council of Trade Unions	\$2,050,363
Australian Workers Union (AWU)	\$1,796,158
Australian Manufacturing Workers' Union (AMWU)	\$1,495,898
National Union Workers (NUW)	\$1,332,128
Australian Services Union (ASU)	\$1,323,258
Madgwicks Lawyers	\$1,095,809
Maritime Union of Australia (MUA)	\$1,009,953
Independent Education Union (IEU)	\$775,151

Breaking down total payments to trade unions (Chart 4) also confirms the analysis suggested by our assessment of the list of top 30 single payments. The distribution of directors' fees to trade unions is narrowly distributed, with a number of union organisations receiving substantial sums of money. The CFMEU, United Voice, and the ACTU each received over \$2 million, while the next four highest recipients accounted for just under \$6 million between them.

Chart 4: Directors' fees paid to trade unions: (in 2016/17 dollars)



⁶ For the purposes of this report, directors' fees paid to third parties combine receipts from the central office of the organisation with those received by organisation branches, such as state branches.

Table 4: Directors' fees paid to trade unions: 2013/14 to 2016/17 (in 2016/17 dollars)

Construction, Forestry, Mining and Energy Union (CFMEU)	\$2,884,168
United Voice	\$2,386,164
Australian Council of Trade Unions (ACTU)	\$2,050,363
Australian Workers' Union (AWU)	\$1,796,158
Australian Manufacturing Workers' Union (AMWU)	\$1,495,898
National Union Workers (NUW)	\$1,332,128
Australian Services Union (ASU)	\$1,323,258
Maritime Union of Australia (MUA)	\$1,009,953
Shop, Distributive & Allied Employee's Association (SDA)	\$756,150
Independent Education Union (IEU)	\$775,151
Transport Workers Union (TWU)	\$682,254
Communications, Electrical and Plumbing Union of Australia (CEPU)	\$550,708
Australian Nursing and Midwifery Federation	\$359,979
National Tertiary Education Union (NTEU)	\$211,206
Community and Public Sector Union (CPSU)	\$204,184
Health and Community Services Union (HACSU)	\$199,231
Unions NSW	\$112,082
Media, Entertainment and Arts Alliance (MEAA)	\$93,088
Australasian Meat Industry Employees Union (AMIEU)	\$87,851
Australian Education Union (AEU)	\$86,645
Builders Labourers Federation (BLF)	\$23,919
Textile, Clothing and Footwear Union (TCFUA)	\$16,194
Financial Services Union (FSU)	\$1,784
TOTAL	\$18,438,516

For completeness, we have also assessed payments from industry superannuation funds to industry and employer organisations, and also to other third parties that do not fit into either of the above categories. The charts below contrasts with the chart of payments to trade unions. Not only do industry groups and other third parties receive significantly less than trade unions (collectively these groups account for less than half of trade union payments) but these payments are also diversified amongst a larger group of organisations, particularly as demonstrated in Table 6.

Table 5: Directors' fees paid to industry organisations

Master Builders Association (MBA)	\$613,663
Australian Industry Group (AiG)	\$327,375
Australian Road Transport Industrial Organisation	\$245,934
Queensland Trucking Association Ltd	\$112,967
Victorian Transport Association	\$107,704
Tasmanian Transport Association	\$92,967
Western Australia Road Transport Association	\$87,441
Canegrowers	\$86,858
Screen Producers Australia	\$83,977
Australian Federation of Employers & Industries	\$76,336
Christian Schools Australia	\$69,385
Association of Independent Schools NSW	\$66,029
Queensland Resources Council	\$40,916
Australian Community Services Employers Association	\$36,685
Bowls Qld	\$20,355
Live Performance Australia	\$8,164
TOTAL	\$2,076,756

Chart 5: Fees paid directly to industry organisations

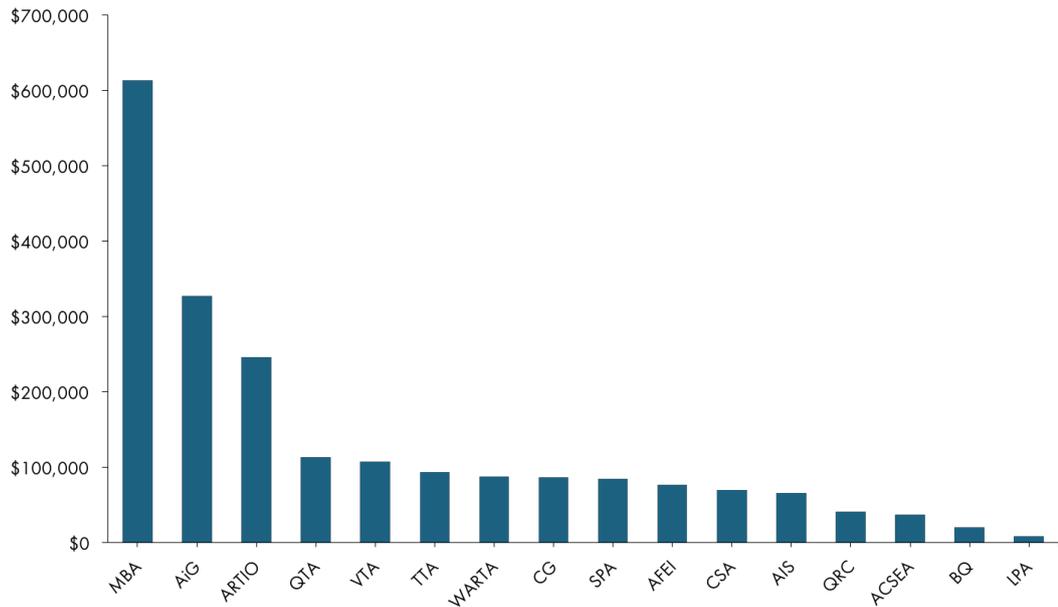


Table 6: Directors' fees paid to other third parties

Madgwicks Lawyers	\$1,095,809
Allen Stewart and Associates Pty Ltd	\$456,599
Greg Boulton and Associates Pty Ltd	\$354,846
Eureka Economics Pty Ltd	\$294,290
DP World Australia Ltd	\$267,394
Asciano Executive Services Pty Ltd	\$228,799
Deakin University	\$226,924
T Wilks & Associates Pty Ltd	\$223,773
Mermaid Marine Vessel Ops Pty Ltd	\$206,618
Wiljon Developments Pty Ltd	\$187,669
Kylken Pty Ltd	\$178,921
Beech Pty Ltd	\$154,811
RMIT University	\$136,661
Busi Culture	\$123,383
Kaplan Funds Management Pty Ltd	\$119,379
Victoria University	\$117,678
Ashurst	\$115,480
Werrington House Trust	\$109,950
Reveille Strategy Pty Ltd	\$95,609
UCI Projects Pty Ltd	\$86,565
Wilson HTM	\$84,648
Dalyla Pty Ltd	\$83,977
Epping Floral Centre	\$82,340
Heaneys Performance in Print	\$76,660
Rob Fuller Consulting	\$69,692
Sparthenia Pty Ltd	\$66,945
Dental Health Services Victoria	\$65,776
Resolve Consulting	\$46,836
Leadership Mentoring	\$43,262
Canberra Girls Grammar School	\$43,005
Donaldson Trumble Chambers	\$34,949
Welfare Rights Centre	\$34,440
Catholic Diocese of Wollongong	\$18,310
Business Machines Finance Co	\$17,139
Queensland Catholic Education Commission	\$13,381
Crescor Pty Ltd	\$13,200
Sterad Pty Ltd	\$13,200
GTC Consulting	\$11,959
Stowe Australia Pty Ltd	\$11,027
Christian Insurance	\$10,011
St. Mary's Cathedral College	\$8,183
Fletcher International	\$3,000
TOTAL	

About the Institute of Public Affairs

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About the authors

Morgan Begg is a Research Fellow with the Institute of Public Affairs.

Morgan joined the IPA in 2014 to advance a major report into The State of Fundamental Legal Rights in Australia, which was referenced extensively in the Australian Law Reform Commission's seminal "Freedoms Inquiry" released in March 2016. Morgan has written a number of opinion articles, research reports, and submissions to parliamentary inquiries on a variety of topics including red tape, freedom of speech, anti-discrimination laws, and legal rights and the rule of law.

Simon Breheny is Director of Policy at the Institute of Public Affairs.

Simon has been published in *The Australian*, the *Australian Financial Review*, the *Sydney Morning Herald*, *The Age*, the *Daily Telegraph*, the *Herald Sun*, the *Courier Mail*, the *Canberra Times*, the *Sunday Tasmanian* and *The Punch*. He is regularly interviewed on radio around the country in relation to legal rights, the rule of law, civil liberties and the Nanny State, and has appeared on ABC's Q&A, *Lateline*, *News Breakfast* and *ABC News 24*, Channel 7's *Weekend Sunrise* and Sky News' *The Nation*, *AM Agenda*, *Lunchtime Agenda* and *PM Agenda*.

Simon has also appeared as a witness to give expert evidence before the Senate Standing Committee on Environment and Communications, NSW Legislative Council Standing Committee on Law and Justice, Senate Legal and Constitutional Affairs Legislation Committee and the Parliamentary Joint Committee on Intelligence and Security.

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