

**1996 QUEENSLAND BRANCH
AWU DELEGATE MEETING**

**ADDRESS BY JOINT NATIONAL SECRETARY
MR IAN CAMBRIDGE
31ST JANUARY 1996**

Joint National Secretary, Mr. IAN CAMBRIDGE, addressed the meeting, detailing figures and dates on the whiteboard as he spoke. He said:

"This matter is in some respects reasonably complex and I apologise for that, however, as was evidenced yesterday, it is a matter of some importance. Yesterday I was in Tasmania and one of the things that happened down there was a number of our members in Tasmania said: 'we'd like to know just exactly what it is that's going on because it's not every day of the week that a National Secretary of the Union calls for a Royal Commission into his own organisation', which is what happened last week. I took that step because, quite frankly, something has to be done about what has been uncovered thus far: not only about what's been uncovered, but what attempts have been made to stop any further uncovering of what has been going on. What we really have here is a problem where the attempted cover-up could almost have been worse than the original crime.

Because this matter is reasonably complex, I've got to use the whiteboard, but I think it is important that, as Delegates, you people have a full understanding of what's happened and you can convey that to members because they'll be wanting to know what on earth has been happening - why it is that one of the Joint National Secretaries of the Union is calling for a Royal Commission.

What we have uncovered so far is this: On 17th February last year Rules changes were certified by the Federal Industrial Registrar to change the structure of our branches in Victoria. Prior to that date we had two Branches in Victoria, largely as a result of the amalgamation, we had a FIME Branch and an AWU Branch. Most of you are aware of this because a similar change also affected Queensland in terms of the Branch structure. So that was an important date. What happened in terms of Victoria was that a series of bank accounts operated by the old AWU Branch down there could no longer technically or legally be operated upon because once that Rule change went through on 17th February, there was no longer a Committee of Management nor any authorised signatories to those bank accounts. Therefore, whatever accounts were in operation at that point in time, technically had to be wound up. They had to be audited, finalised and then the money had to be dealt with.

Now, we had attempted prior to that date to have that process put in train. I had written to Steve Harrison and asked him to agree to a National Executive decision to ensure that a process occurred to deal with the financial transition that was to take place with the Branch structure being changed. For one reason or another, that didn't happen. So what we have on 17th February is that all of a sudden a Branch is no longer able to operate.

On 30th June last year we went back to the old decentralised funding arrangement. I know this doesn't necessarily affect Queensland, but it's important for an understanding of what's happened. So up until 30th June we were still operating in all Branches, other than Queensland, under central funding which meant that all Branches had to stick their money into the central pot. What happened is that when we got past 17th February, the newly formed National Construction Branch was supposed to be putting money into the central fund. However, the National Construction Branch wasn't using the right deposit slips and its deposit monies were not identified. So that caused Bob Smith, the FIME Branch Secretary in Victoria, to start investigating what was going on because what I imagine he thought was happening was that the newly formed National Construction Branch was still using the frozen accounts of the old AWU Branch which, as he knew, they really could not touch.

As a result of that investigation, all the Commonwealth Bank accounts in Victoria were frozen; every account that had AWU in its name was frozen. That happened just after 30th June and by 2nd August the Union's National Finance Committee met to have a look at what appeared to be the problem, which Smith alleged was that the newly formed National Construction Branch was not sticking its money into the central fund. That's what started the investigation. So on 2nd August the Finance Committee said: 'Right, let's just have a look at what's being going on.' When we had a look at it, we said: 'Let's have a look at all the frozen accounts.' In Victoria we discovered a number of accounts and they were, at this stage, all frozen. No one could operate them. There was a General Account and that was the old Victoria Branch account which had been around since there has been a Victoria Branch. That was one that was technically frozen, but what happened was that money had come out of it and the then Secretary of the Branch, Bruce Wilson, was asked to explain why some money had continued to come out of that account when legally it should not have been operated upon.

We were told of a series of other accounts which, although they had the AWU name in them, had never appeared in previous audited balance sheets of the Victoria Branch. They were things like a Tatt's Lotto account, where the employees in the office were having wage deductions put into this account so they could buy their Tatt's Lotto tickets. There was also a Social Club account so that they could have a Christmas party, or whatever. These sorts of things clearly contained private money, had nothing to do with the Union, were never part of the

audited accounts of any Branch of the Union, and should have never had the name AWU in them. They should have been called something else. So they were fairly non-controversial and so we said, 'Well, look, those things don't worry us.' In other words, they're of no great consequence, it's private money, nothing to do technically with Union money.

The General account of course, well there was a problem with it having been operated on after having technically been frozen. Nevertheless, there was an explanation for why that had occurred. Then there was also an explanation as to why the National Construction Branch appeared not to be putting money into the central account and that was explained away. So we were gradually working through these things in a process of deduction and taking out those things that were not controversial, that we could explain, and putting them aside.

We got to this thing called the Members Welfare Account, and that's where we really came across a problem. Now the AWU Members Welfare Account never appeared on previous balance sheets audited by the auditors and presented to meetings of members or anything like that. So what was really revealed was that this account contained a mixture of private money and Union money. Now, we said - well quite frankly we said 'shit', because that gave us a great deal of concern. That is a big problem if you wind up having Union money, membership contributions and the like, and private individuals' money in the same pot. We didn't know exactly where all the money had come from, but we knew that there was roughly \$160,000 in there.

Now this happened on 2nd August. All this started to unfold at the Finance Committee meeting on 2nd August. We started to ask questions about this and it was obvious that there needed to be a very thorough examination of how the money got there, and if the matter was to be properly rectified, we needed to ensure that we could account for every penny, wherever it was in these series of accounts that had been uncovered. Two days later, on 4th August, the Victoria Branch Secretary Bob Smith, wrote to me saying that he was going to charge Bruce Wilson under the Rules of the Union and report him to the police as a result of what had emerged during the course of the meeting.

Now, that's fine, but that was something which was obviously, I think, at this stage a little premature but, nevertheless, that's what Smith said he was going to do. During the course of the Finance Committee Meeting he'd actually said things suggesting that what we've uncovered was secret commissions and the police may have to be involved and certain people could go to jail for this. So it was a fairly excited sort of environment that we were operating in. Anyway, what happened was that I decided the best thing we could do was actually get good legal advice about what we'd uncovered and more importantly, about how we could fix it up and properly account for every penny.

So I went straight off to see a QC, who is one of the best in the country on Union matters, a man by the name of Richard Kenzie, and I spent a couple of hours with him and went through all this and I said, 'This is what we've uncovered, how can we fix it so that we can account for every penny?' I wound up with about a five page written advice in terms of how we could fix it all up so that the Union would be certain to account for every penny. So I thought - well, that's the proper way to fix it.

What happened from hear, of course, was on 4th August we got the letter from Smith saying he was going to report Wilson to the police and all the rest of it - charge him. I'd gone and seen the QC about 10th August to get the opinion to work out what to do but, amazingly - and this is where the problem really emerged - on 17th and 18th August all the accounts were closed except for the General Account and a Grants Account, and the individuals who were the signatories to these accounts, and others, were given redundancy payments and left the Union.

So you can see how quickly it occurred and, despite the fact that we were actually trying to get it sorted out properly by using QC advice, what happened was on about 14th and 15th August the other Joint National Secretary sought the endorsement of the National Executive to pay the people who were signatories to these accounts and their other associates, redundancy payments to the tune of \$160,000 net. So when you include tax and all the other things, it's over \$200,000 - well over \$200,000. So half a dozen individuals were paid and disappeared out of the Union, and this went out in the form of a postal ballot of the National Executive.

Now, that was outrageous and I wrote letters at the time trying to have the National Executive consider the matter properly. I sent a copy of my five page QC written opinion to all the members of the National Executive, saying, 'You can't do this. This is just outrageous. If you uncover something like this you've got to fix it up. You can't paper over it and you can't paper over it by using the members' money to try and get rid of people; the alleged redundancies weren't redundancies' etc. So in this short space of time, we've gone from 4th August from the potential for charges to all of a sudden, people getting a slap on the back and a golden handshake and disappearing out of the organisation.

That's when the alarm bells went off. Your Branch Secretary and National President, Bill Ludwig, sought an injunction from the Federal Court. Bill and I had a couple of telephone conversations about all this and we decided that you just can't allow that to occur. You've got to stop those so-called payments of redundancies. It's just absurd in the circumstances. But we were about 10 or 11 hours too late to get before the Federal Court Judge, because what happened is that the National Executive vote had been taken. Despite all the protests from Bill and myself and the letters going out, the National Executive vote was pushed through and then the money was physically - the cheques were written

out in Sydney and a courier, one of the office people, was put on a plane and the money was taken to Melbourne and special clearance arrangements must have been made to get the money cashed and have those people gone. So by the time we got here in Brisbane before a court, it was too late.

So that's what happened. I said, 'Well, that's not the end of it. I'm not just going to sit back and allow that to go on. You can forget about that nonsense. Let's find out exactly what we should have been doing in the first place. Where did all this money come from? Let's go to the bank and ask the bank for all the transaction records on this Membership Welfare Account going back for as many years as we need to.' I wrote to the bank and said that I wanted all the details. The bank said 'we can't give them to you because Mr. Smith has a caveat on them and won't let you have them.' I couldn't get the details of what had been going on inside this account because Bob Smith had stopped me. I ended up getting lawyers to write to the bank lawyers and going round in circles for about three weeks before eventually we got all the transaction records and, very importantly, when this \$160,000 was paid out on 17th and 18th August, it was paid out under the authority of Bob Smith and Bruce Wilson.

The bank received a letter from Smith's lawyers, Maurice Blackburn, in Melbourne, saying they wanted bank cheques drawn of various amounts within this \$160,000 to a number of different companies. So much went out to Thiess, so much to Phillips Fox, John Holland, Chambers Consulting and Fleur Daniel. They were different amounts but the total proceeds of that \$160,000 was distributed to these companies, all by bank cheque, all drawn on 17th August and the account closed. End of story.

So I said 'All right, I'll write to each one of these companies and find out what's happened. So I wrote to all of them and all of them, bar one I think, have responded back to me and said 'We were surprised. All of a sudden out of the blue we got a cheque for \$30,000, or \$10,000, or whatever back from the Union and we could not work it out because, when we originally paid the money, we actually paid it for X, Y or Z'. In one case, for instance, it was quite clear from the remittance advice that had been shown to me by that company that they paid it for membership contributions, for a construction job in Victoria. Now why membership contributions went into here, of course, is the first question, but then, why do you give it back afterwards is another question.

Anyway, all the proceeds were divided up. Now, most of these companies are known to me as construction companies. Phillips Fox, of course, is a law firm and I wrote to them and had some discussions with them. But this company, Chambers Consulting - and this is where the whole thing is just such a web of intrigue. It's incredible. This company, Chambers Consulting, is very interesting. I had never heard of

Chambers Consulting before, so I thought I'd do some investigations. I spent a number of hours down at the Australian Securities Commission doing searches and tracking down Directors and, as it turns out, Chambers Consulting is an interesting company, because it is a large shareholder in a company called PSI. Now I had heard of PSI before - it struck a bell. So what I did was, I went to the Australian Securities Commission, and you can search any company and they'll give you a list of the Directors and the shareholders. So I got the details and who's a Director of PSI? Stephen Patrick Harrison, Joint National Secretary of the AWU. I thought this is getting really interesting.

Well all right, I thought - what else has been going on with this Members Welfare Account? Now I have to be fair and there could be a very innocent explanation for this whole thing. So I wanted to find out a bit more about PSI. It turns out to be a company which does the administration for NSF, which is a Superannuation Fund which originally grew out of Newcastle, but is, if you've read past editions of *The Worker*, strongly supported by Steve Harrison and the old FIME. So this fund has Trustees and those Trustees have chosen to have the administration of the funds undertaken by the PSI company. There is an arrangement, I've discovered, in place which is that when the fund pays PSI the administration of the superannuation, it only keeps 80%. 20% of it is returned directly back to the Union, back to the AWU-FIME.

So I thought - that's a rather strange set of connections, given that the person that was initiating the payments for all this against the QC's advice, against my protest, against Bill's protest, sits here as a Director of this company and that this company undertakes work on a Superannuation Fund which has a lot of AWU members and which the AWU gets this funny commission out of it. So that was strange enough.

We then went back and eventually got more details from the bank about what had been going on with the Members Welfare Fund. I asked them to provide me with details of specific transactions over about the last three year period. Most of the cheques drawn on this account were for cash, cash for \$10,000, cash for \$15,000. Someone was having some pretty big barbecues. Certainly the AWU Members Welfare Account must have been looking pretty healthy because there was a lot of cash going out of it.

But one cheque really stunned me. Most of you would be aware of a bloke by the name of Bob Kernohan, an ex-AWU Official in Victoria, and a person who had quite openly been challenging Bruce Wilson for a long time within the Union. One of these cheques for an amount of \$6,500 was made out directly to Bob Kernohan personally. Now all this started to look very, very smelly. It was very difficult to understand how this account, which was operated by Bruce Wilson - he's one of the signatories - sends Bob Kernohan a cheque personally made out to him for \$6,500. So, as this information started to emerge, I sent it out to

members of the National Executive because I thought they were entitled to know what I was uncovering. Bob Kernohan rang me and said that he wanted to tell me why he got \$6,500 out of the Members Welfare account. He then proceeded to say that he has been backed financially since the outset of his campaign in the Union. Back in the '89 Election he was unsuccessful in his attempt to be re-elected. He had been backed by a person who I only know as Mr. X at this stage, and what had happened was that Wilson and Kernohan had gone out to dinner and had decided to bury the hatchet. They were going to patch things over and as a sign of a newfound friendship, Wilson offered to pay an outstanding debt owed by Kernohan for his election campaigns.

Kernohan had said that he told Wilson that he still owed "a bloke" \$14,000 but that if he could get half, "the bloke" (Mr. X) would write off the other \$7,000 so Bruce put in the \$6,500 to wipe this bill off. Now, I don't know who Mr. X is but he is wandering around with \$6,500 of money out of an account, a large proportion of which I believe is legally entitled to be retained by the AWU for membership contributions.

So I went off to the NCA because all this was just getting a bit too hot for my liking and they sort of scratched their heads and said, I don't know how we're going to sort all this out. We'll send you up to the Victorian Fraud Squad". So I went up to the Victorian Fraud Squad and they said, "All right, we'll investigate it." So they're gradually searching away going through it and then, all of a sudden, some things emerge about a property in Western Australia that was purchased, and then something emerges about something that happened in New South Wales. So I told the Victorian Fraud Squad about all this and they said, "It's a bit hard for us to get involved in all this." So the NSW Fraud Squad was looking at another aspect of it and the WA Fraud Squad was looking at another aspect of it.

The real problem here is that something very fishy, very smelly, is going on beneath all of this. We need to know who Mr. X is. We want our \$6,500 back. Legally, it's something that the Union is entitled to have. All of these other companies basically have said, "Look, we'll hold the cheque and wait until you sort this out in court. We think you'll probably have to have the money back because we paid it legitimately for Union contributions". So they're just saying once the court has sorted it out, we'll give you your money back. Chambers Consulting actually sent me back the money. But the end result of all this was that my legal advice last year was that what you've really uncovered here is essentially just the tip of the iceberg. You don't know what else has been going on in any of this. Some of it could be entirely innocent and easily explainable, but by the look of it, someone has been trying to cover up. I've certainly been frustrated. Every attempt I've tried to uncover something, someone's been trying to put things in my way.

So the advice I got from legal people late last year was the only way this will be sorted out is if there is some form of a Judicial Inquiry or Royal Commission which has inquisitorial powers. The problem with this current court system is basically, they can only operate on the evidence that you give them, so someone has got to go and get the evidence and put it before them. Now, that's very difficult. It has taken a lot of my time and I am not really an expert in this sort of investigative process. So the legal advice I got late last year was that it really requires some sort of Judicial Inquiry or Royal Commission to actually go and investigate and work out what on earth has been going on, find out who Mr. X is, subpoena all the documents that have been held from me and get some answers to some of these questions.

Although we've got the matters in the court and they might reveal most of this, the applications which Bill took are coming on for hearing in May and we may get something like most of the evidence. The court does not have an inquisitorial power, doesn't have the capacity to go and start conducting its own investigation into all of this. That is why the legal advice was, "You are going to have to try and get some sort of Commission of Inquiry or Royal Commission with broad enough powers to start doing the digging beneath all this".

So the net result of all that is that I want to see the Union's name cleared because, quite obviously, this is very damaging. It publicly damages the Union enormously and you can't paper over it. You can't throw members money out and say, "oh well, if you caught someone with their hand in the till, what you do in our show is give them a pat on the back and move them out of the door with a big wad of money in their pocket." If the organisation operates along these lines, it has absolutely no future. So it's got to be fixed up and the only way that I can see, the quickest way for it to be fixed up, would be if the Government would consider establishing either a Judicial Inquiry or a Royal Commission into this whole affair.

Now, the Federal Election has got in the way since the, but once the Federal Election is out of the way, whichever Government is in power in Canberra, I'll be knocking on their door saying this has got to be fixed up and every penny has got to be put back in the right box. And anyone who has been involved in some sort of funny business, who has been attempting to cover it up, is going to have to be accountable to the members for what they have been doing.

In conclusion, I am sorry it is complex and that is why I have taken a bit of time to explain it, but I think it is important that you do understand exactly the detail that we know so far. Now, by no means is this over, unfortunately."