

Cash flows put union in a jam

A union spending scandal has exposed an embarrassing danger in the ALP's problematic relationship with the labour movement, reports **Brad Norington**

JEFF Jackson has a remarkably freewheeling management style when it comes to running one of Victoria's biggest trade unions. According to an expert accountant's report, the flashy chief of Victoria's Health Services Union branch No. 1 does not require any written approval for expenses. It's all verbal. Jackson has another habit that would probably surprise his members: he likes to sign blank cheques that get filled in later without further authorisation.

The statement of a Bendigo Gold Visa card allegedly issued to Jackson shows expenditure on services that fall far outside his normal duties. It includes a string of prostitutes, designer clothes, dental work, gourmet food and drinks at a favourite Melbourne hotel. Jackson challenges the authenticity of this credit card account and dismisses allegations he has misused any funds as part of a "dirty tricks campaign" mounted by opponents within his union.

But the secretary of the Victorian HSU branch No. 1, who prides himself on his smart suits and striped ties, would struggle at any time to deny that he runs his union like a fiefdom.

Jackson's annual salary for the last financial year was \$172,290, which is \$50,000 more than paid to ACTU president Sharan Burrow, who leads the Australian union movement, and three to four times more than wages paid to the low-income hospital clerks, orderlies and cleaners that the HSU boss represents. On top of his salary Jackson is paid 18 per cent in superannuation contributions, or double the legal requirement paid to his members.

Last year Jackson granted himself a 9 per cent pay rise, more than double the percentage his members received, after instructing his office manager Rita Wills to give him \$15,000. This additional money was officially described on the union payroll as "back pay". When Jackson's union official and friend Alex Hicks took leave without pay last October, he ordered that she get a one-off payment of \$5000. Jackson told his office manager to record the sum as a political donation because Hicks was "campaigning for Barack Obama".

Over a 15-month period to November last year, Jackson was reimbursed \$19,000 for branch expenditure that he had incurred personally. While accounting expert Stephen Whitchurch from Pitcher Partners found that the HSU branch had invoices totalling almost \$15,000 of Jackson's spending, he found no documents substantiating \$4128 for which

Jackson was reimbursed. He also found no other evidence the payments totalling \$19,000 were authorised.

The HSU branch's accounting controls — labelled "inadequate" by the Pitcher Partners expert report — prompts questions not only about how this union is run but how money is channelled to the chief recipient of Australian union donations at election time, the Labor Party.

The allegations against Jackson, a senior figure in the ALP's Victorian Right faction, have only come to light because of leaks after a nasty power struggle within the HSU's No. 1 division. No one emerges as a cleanskin in this battle: certainly not Jackson's main opponent, the HSU branch's president Pauline Fegan.

But the sloppy and sometimes sordid details of union spending at the HSU have emerged in the same week that one of its former officials, federal Labor MP Craig Thomson, has been forced to fend off allegations that he, too, used his union credit card on prostitutes before entering parliament at the 2008 federal election.

More serious for Thomson as a Labor MP is the allegation that he used his HSU credit card to help bankroll his campaign for the prize seat of Dobell, on the NSW central coast, with more than \$100,000 in undisclosed union funds.

Thomson denies these allegations and insists all spending has been properly accounted for.

Nonetheless, allegations of union funds going directly into electorate spending will pose a possibly insurmountable problem for Thomson and other union-backed Labor MPs if it is found that proper disclosures were not made to the Australian Electoral Commission, as required by law.

During the 2007 election campaign, then ACTU secretary Greg Combet issued specific warnings to union officials attending his organisation's regular executive meetings that all spending must be properly declared.

The ACTU was already battling Coalition claims that unions were donating through the back door, with undisclosed sums paid to individual Labor candidates as well as donations in kind, such as supplying union officials, paid with members' money, to work full-time in marginal seats.

With the ACTU spending up to \$28 million to fight the Howard government in a desperate bid to oust the Coalition and its dreaded Work Choices laws, Combet was determined that no legal difficulties with how the money was spent would upset the campaign.

Alarm bells rang several times for Combet during the federal election campaign when the Transport Workers Union was found to have donated thousands of dollars directly to 15 ALP candidates before the 2007 NSW election without declaring the funds, as required, to the state's Election Funding Authority.

The news of these "secret" donations — which were belatedly declared — came on top of already damaging revelations that the TWU's state secretary Tony Sheldon had raised millions of dollars from employers for a union training fund. These funds were never separated from the union's general ledger or audited separately. The definition of how the money could be spent was also very broad.

While a financial report by auditor Deloitte criticised Sheldon's financial dealings, it found no illegality. The actual spending by Sheldon's fund, apart from some political donations, has remained largely buried since.

By comparison, the experts' report on Jackson's HSU branch in Victoria has shone a bright light on how this particular union does its business. It exposes Jackson's cavalier approach to signing blank cheques, sharing electronic passwords for expenditure and approving union spending with verbal, not written, authorisations. Fegan, Jackson's opponent, is also shown to have benefited from union funding.

A company Fegan runs with her husband, Phillip Grima, was paid \$147,361 over a 15-month period by the HSU for promotional merchandise supplied to the union. Between July 2007 and November 2008, Fegan in her capacity as HSU president ordered pens, badges and stickers from her own company.

The Pitcher Partners report could not confirm allegations made against Fegan that she decided the quantities, set the prices, failed to obtain alternative quotes and delivered the goods in person. In fact, it found no evidence of who decided any of these things, who authorised payment, or if the goods were delivered. Fegan claims the company won its supply order on its merits, despite no evidence of competing bids.

An appendix to the Pitcher Partners report does, however, show a discrepancy of \$26,000 between the prices paid to Urban Giftware and the lower comparable price for the goods if the the HSU had bought them elsewhere.

Pitcher Partners also confirmed that the HSU paid for airfares and accommodation for the partners of Fegan and other HSU officials on a union trip made to China. The total cost for the trip was \$51,780. Fegan and the other officials later reimbursed the union a total of \$15,000. Pitcher Partners expert Stephen Whitchurch commented: "I am unable to ascertain if the reimbursement is a reasonable amount of the costs incurred on the trip."

Kathy Jackson, the HSU's federal secretary, has called on all officials of the union's Victorian branch No. 1 to resign so that fresh elections can be held for their positions.

The position of Kathy Jackson in the HSU's accounting mess is particularly crucial, because she was the whistleblower who alerted her union's executive to the need to review credit card expenditure by her union predecessor Craig Thomson.

She is also central to the puzzle as Jeff Jackson's feisty former wife and the head of a Victorian HSU branch in her own right (known as HSU No. 3). During an interview with ABC

TV's *Lateline* program on Thursday evening, Jackson could be seen telling her intruding former husband, "Thanks Jeff, shut the door." While the pair are estranged personally, they are believed to be on the same side politically.

So Kathy Jackson's method in seeking mass resignations and fresh election could be a tactical move, based on the belief that her ex-husband has enough support within the union to win back his position at the expense of Fegan.

Whatever the truth about the Jacksons' relationship, the HSU scandal has opened the door to haphazard accounting and possible corruption inside the union movement.

The Labor Party is exposed to allegations it is funded by union rorts.

This is not the kind of ALP that Kevin Rudd wants to present to voters just 15 months into his Labor government's term. He must hope that voters will forget about it, and that the union-party ledger is as clean as a whistle when he calls the 2010 election.



Questions: Jeff Jackson's management style was queried by elements within his union, but the tussle inside HSU branch No. 1 is far from over