



MEDIA RELEASE

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Treasurer Washes His Hands of Enron Link

The Howard Government must explain how the Future Fund appointed Northern Trust as its global custodian without an independent examination of its role in the Enron scandal.

Northern Trust was a trustee of the Enron staff superannuation scheme. When Enron collapsed, its staff lost huge amounts in superannuation because it was invested in Enron companies. The US district court found that Northern Trust knew or should have known that Enron was in financial distress and the continued purchase and holding of its shares were imprudent. Northern Trust ultimately settled the employees court case with a payment of \$US 37.5 million.

Future Fund CEO Paul Costello admitted today in Senate Estimates that the Future Fund was aware of Northern Trust's involvement in the Enron scandal, but made no independent investigation before deciding to appoint the company as its global custodian. The Future Fund simply took Northern Trust's word on its role in the Enron collapse without undertaking a due diligence check.

Treasurer Peter Costello's claim that he has no responsibility for the custodianship of \$51 billion in taxpayer's money is wrong. Under the Future Fund Act, he and Finance Minister Senator Nick Minchin are empowered to issue investment directions to the Future Fund. Such directions have been issued, but they contain no reference to scrutiny of the prudential integrity of prospective managers of the Future Fund's money. The Government has the power to direct the Fund regarding these issues. It has merely failed to do so. The existing directions cover corporate governance issues: why can't they also deal with prudential matters?

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