



**COMMISSION OF INQUIRY INTO THE CFMEU AND MISCONDUCT IN
THE CONSTRUCTION INDUSTRY**

**COMMISSIONED UNDER THE PROVISIONS OF THE
COMMISSIONS OF INQUIRY ACT 1950**

**PUBLIC HEARING
BRISBANE MAGISTRATES COURT**

**WEDNESDAY, 11 FEBURARY 2026
AT 10.00 AM**

DAY 8

APPEARANCES

**Mr S Wood AM KC, Commissioner
Mr Geoffrey Watson, Witness
Mr M Costello KC, Senior Counsel Assisting
Ms S Harburg, Junior Counsel Assisting
Ms A Hughes, Counsel for the CFMEU Administration
Ms F Fox, Counsel for the CFMEU Administration
Mr D de Jersey KC and Mr D Wilson, Counsel for the State of Queensland
Mr C Massy, Counsel for Michael Ravbar and William Kane Lowth
Mr D O'Brien KC, Cross River Rail Delivery Authority**

<THE HEARING COMMENCED AT 10.01 AM

COMMISSIONER: I'll deal with appearances first. Mr Costello, you appear with Ms Harburg as counsel assisting?

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MR COSTELLO KC: I do, Commissioner.

COMMISSIONER: And Ms Hughes, you appear together with Ms Fox for the CFMEU administration?

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MS HUGHES: Yes, Commissioner, thank you.

COMMISSIONER: And Mr de Jersey, you appear with Mr Wilson for the State of Queensland.

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MR DE JERSEY: Yes, Commissioner.

COMMISSIONER: And Mr Massy, you appear for Mr Ravbar and Mr Lowth?

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MR MASSY: Yes, Commissioner.

COMMISSIONER: Mr O'Brien, I note here that you were going to be late but you appear.

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MR O'BRIEN: Yes.

COMMISSIONER: And you appear for the Cross River Rail Authority.

MR O'BRIEN: That's correct, Commissioner.

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COMMISSIONER: Are there no other appearances. Very well. Mr Costello.

MR COSTELLO: Thank you, Commissioner. Commissioner, the next witness is Geoffrey Watson SC. Mr Watson gave evidence last year on the 18th and 19th of November. At that time, my examination focused on his report entitled Violence in the Queensland CFMEU, which he was engaged to prepare by the administrator of the CFMEU, Mr Irving KC.

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Mr Watson is recalled today for a different but related purpose. As he foreshadowed in his earlier evidence, he was also engaged by the administrator to investigate the conduct of the CFMEU in other states. He has now completed those investigations. It is proposed that, through Mr Watson, three reports will be tendered. His interim report into Victoria and Tasmania, his report into New South Wales and his final report into the Victorian branch of the CFMEU, which is entitled Rotting From the Top: The CFMEU in Victoria During the Setka Era and is dated 27 January.

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The first two of those reports are already in the public domain having been furnished to the administration and published on the CFMEU website. The final report into Victoria has not, until today, been made publicly available. It will be the primary focus of Mr Watson's evidence. In order to protect the safety of various people, the report has had to be heavily redacted and will be tendered in a redacted form.

Commissioner, it's appropriate at the outset to address directly the use that may be made -

10 **COMMISSIONER:** You might be able to sit down, Mr Watson, I think Mr Costello - it looks like he is opening a little bit of a length. No criticism, Mr Costello, I just didn't want Mr Watson to have to stay standing.

15 **MR COSTELLO:** No, I didn't feel him lurking but as long as he is comfortable, I'm comfortable.

COMMISSIONER: Understood.

20 **MR COSTELLO:** Commissioner, it is appropriate at the outset to address directly the use that may be made of Mr Watson's interstate investigations by this Commission. That evidence is relevant and, indeed, important for a variety of reasons.

25 The CFMEU operates nationally. Its federally registered decisions operate in the same industries, under the same federal industrial relations framework and using the same general organisational structure. It is important for this Commission to consider whether the conditions under which the problems Mr Watson has identified in one state are unique to that state or whether they are, in material respects, the conditions that prevail in each other state, including in Queensland.

30 It follows that problems which have manifested in one state ought to be a matter of serious interest and it is submitted of serious concern to any inquiry charged with examining the conduct of another part of the union. What has happened in Victoria is not merely of historical or comparative interest. It is, in a very real sense,
35 a demonstration of what can happen here if the conditions that gave rise to those problems are not identified and addressed.

To put it plainly, if history is not to repeat itself, then lessons must be learned from it. Beyond that general proposition, there are several specific aspects of Mr Watson's
40 Victorian findings that ought to be of particular concern to this Commission. Three areas warrant emphasis. The first is organised crime infiltration through the appointment of delegates and health and safety representatives. Mr Watson's report documents the penetration of the Victorian construction industry by organised crime, including outlaw motorcycle gangs, through the deliberate appointment of criminals
45 and associates of criminals to positions as CFMEU delegates and health and safety representatives on building sites.

These appointments gave organised crime a direct foothold in the industry with consequences that were as serious as they were predictable. The second is the corruption of the enterprise agreement process. The Victorian report describes the enterprise bargaining system as having been thoroughly corrupted. Enterprise agreements were treated as commodities, bought and sold for prices ranging from tens of thousands to hundreds of thousands of dollars. Contractors and subcontractors with organised crime connections were, it appears, able to purchase favourable industrial arrangements.

10 This represents a corruption of the very process by which the terms and conditions of workers' employment are set. The third is the mediation of industrial disputes through large payments via third parties. Mr Watson will describe how industrial difficulties in Victoria were, on occasion, resolved not through the lawful mechanisms of the industrial relations system but through the payment of large sums of money to, or through, intermediaries. This practice created opportunities for corruption and for the exercise of influence by persons who had no legitimate role in the resolution of industrial disputes.

20 Each of these areas, the appointment of delegates, the enterprise agreement process, and the resolution of disputes represents a potential pathway by which organised crime can gain a foothold in the construction industry. Each of those pathways is, at least, potentially available in Queensland as it was in Victoria and it is for that reason that Mr Watson's evidence as to what occurred in Victoria and how it occurred is directly relevant to the work of this Commission.

25 Mr Watson will also give evidence that the CFMEU in Victoria successfully created what amounted to a union monopoly over the construction industry, both in building and civil construction. The consequence of that monopoly on his analysis included higher cost, less choice for contractors, and inflexible terms of engagement.

30 A critical mechanism by which that monopoly was achieved was the CFMEU's campaign to drive out the Australian Workers Union and drive it off all civil construction sites; sites which had historically been its preserve.

35 That campaign was, on Mr Watson's account, characterised by violence, intimidation and the aggressive assertion of coverage claims. That will, of course, sound familiar to you, Commissioner. This Commission has already evidence of precisely the same conduct being attempted in Queensland. Ms Schinnerl of the AWU gave direct evidence of this. The Commission has also received video footage, already tendered, depicting specific instances of abuse and violent behaviour directed at members and officials of the AWU on Queensland work sites.

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45 In that regard, it's timely, Commissioner, to recall Mr Watson's own evidence on the first day he appeared before this Commission on 18 November last year. On that occasion, he expressed the opinion that the Queensland CFMEU leadership had observed what had been achieved in Victoria and taken note of it. They had noted the monopoly that had been constructed to the exclusion of the AWU and they were seeking to replicate it here in Queensland. Mr Watson said his overall theory that the

Queensland leadership had "Seen what had happened in Victoria and they were trial to emulate it."

5 What Mr Watson will now describe in Victoria is, in that sense, not merely a cautionary tale. It's the very model that, at least on Mr Watson's analysis, the Queensland branch were seeking to follow. The evidence reveals how far things can deteriorate, and how quickly, when that model is pursued to its conclusion. There is a further reason why Mr Watson's evidence is both timely and important.

10 Mr Watson will give evidence that the problems he identified in Victoria escalated dramatically in the context of what became known in that state as the Big Build, the Victorian Government's program of major infrastructure investment. The scale of that expenditure and the number and size of projects it generated created conditions
15 in which the CFMEU was able to exercise extraordinary power and in which organised crime was able to exploit the construction industry to an extent that might not otherwise have been possible.

20 The relevance for present purposes is that Queensland now stands on the threshold of a comparable period of major public infrastructure expenditure driven in significant part by the preparation for Brisbane's hosting of the Olympic and Paralympic Games. The timeline for that work is tight. The sums of public money to be expended will be very substantial. Those are two of the conditions which, on Mr Watson's evidence, proved so fertile for the exploitation he described in Victoria.

25 It is, of course, critical that organised crime not be permitted to profit from those circumstances. The cautionary tale of the Victorian construction industry ought to be carefully examined so that, where possible, this Commission can make recommendations that will put Queensland on a different path, one that allows this
30 important public work to be completed efficiently at a fair cost to the taxpayer in an environment that is safe and lawful and free from the corruption and criminality that Mr Watson has documented in Victoria.

35 For those reasons, Commissioner, Mr Watson's evidence concerning his interstate investigations, and in particular his evidence concerning Victoria, is squarely relevant to the work of this Commission and important to ensuring that Queensland does not follow the path that Victoria has trodden.

40 I call Mr Watson.

COMMISSIONER: Does Mr Watson need to be resworn, Mr Costello?

MR COSTELLO: I think he was excused on the last occasion.

45 **MR WATSON:** I'm happy to take another affirmation, Commissioner.

<GEOFFREY WATSON, AFFIRMED 10.13 AM

COMMISSIONER: Thank you, Mr Watson. Please take a seat. Mr Costello.

MR COSTELLO: Thank you, Commissioner. Mr Watson, make yourself comfortable. It looks like you've got better quality water than I've got.

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MR WATSON: Yes, I'm very grateful for that.

MR COSTELLO: Now you were last here before the Commission on 18 and 19 November last year?

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MR WATSON: Yes.

MR COSTELLO: It's safe to assume that, save for further work you've done in connection with the CFMEU, nothing has changed in your experience or background since you gave evidence then?

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MR WATSON: Well, yes, it's changed dramatically.

MR COSTELLO: All right. Well, tell me how.

20

MR WATSON: I'm no longer an investigator attached to the CFMEU. That role has ceased.

MR COSTELLO: All right, we will come back to that. You were - let me just see if I can give a short summation of some of the work you've done in connection with the CFMEU. I think it's right to say that you were tasked to investigate different matters in different states.

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MR WATSON: Over time, yes.

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MR COSTELLO: Over time. Your investigation in Queensland focused on violence?

MR WATSON: Yes.

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MR COSTELLO: And you've given quite a bit of evidence about that report which was entitled violence in the Queensland CFMEU.

MR WATSON: Yes.

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MR COSTELLO: In the course of giving that evidence, you gave a thesis as to why violence had increased in the Queensland CFMEU over time and you heard in the opening that I just gave an extract of part of that evidence. It was to the effect that there had been a close observation of what had gone on in Victoria and elements of that were being imported into Queensland.

45

MR WATSON: Yes and that's an important matter but it's not the only reason. There were also personality drivers.

MR COSTELLO: Yes.

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MR WATSON: But I agree that is a very critical point and one especially important to this Commission.

10 **MR COSTELLO:** When you gave evidence previously, you mentioned that in respect of other states, you were engaged to investigate and report on different matters?

MR WATSON: Yes.

15 **MR COSTELLO:** In respect of Victoria, you had an initial engagement and then that engagement was subsequently enlarged; is that a fair description?

20 **MR WATSON:** Absolutely. There was some very limited engagement in the first place through Maurice Blackburn, the solicitors who are based in Melbourne, Josh Bornstein, and there were terms of reference which were drawn up and based very heavily on the originally 60 Minutes episode which triggered a lot of this.

MR COSTELLO: This is the Building Bad?

25 **MR WATSON:** Yes.

MR COSTELLO: And that was your initial engagement and that was an engagement in Victoria at a time before the administrator had been appointed?

30 **MR WATSON:** Well and truly before.

MR COSTELLO: Thank you.

35 **MR WATSON:** By a few months at that point.

MR COSTELLO: But upon the administrator being appointed, you continued to do work for the CFMEU?

40 **MR WATSON:** Yes. I went to some lengths to make sure - sorry, when I was first approached to continue the work, I refused to do it on the basis that my earlier work may involve legal professional privilege but I was released from that and once released from that, I then met with Mark Irving and accepted an arrangement under which I continued.

45 **MR COSTELLO:** All right. And it's fair to describe the remit that you were given by Mr Irving as being broad in scope?

MR WATSON: Well, yes. Down in Victoria, for example, it was no longer limited to the terms of reference drawn up by Maurice Blackburn.

5 **MR COSTELLO:** I see. And in respect of Victoria, were there any particular limits that were imposed upon you as to what you could investigate?

MR WATSON: In the first place, when I was doing it under Maurice Blackburn, yes. But then after Mr Irving came on the scene, I was given a free run, as it were.

10 **MR COSTELLO:** Thank you. You've also done work in connection with the CFMEU in New South Wales?

MR WATSON: Yes.

15 **MR COSTELLO:** And some of that work has been confined to particular issues?

MR WATSON: Yes. I think, actually, if you look at New South Wales, it's always been on a specific issue.

20 **MR COSTELLO:** But by reason of your various engagements by the CFMEU, you've had cause to look at the CFMEU's operations at least in part in Victoria, New South Wales and Queensland?

25 **MR WATSON:** Yes, and also although I didn't do the work myself, I was given the information in relation to South Australia, so I saw that. I've also been given some information in relation to the ACT. Because the Queensland branch is - also covers the Northern Territory, I suppose to some extent I've been exposed to that. And because the Victorian branch covers Tasmania, I've also been exposed but only to a very limited degree there. The only part of Australia which has escaped my
30 attention is Western Australia.

MR COSTELLO: I see. And so at least with the possible exclusion of Western Australia, would it be fair to say that you've got quite a considerable knowledge and understanding of the workings of the CFMEU in the other states?
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MR WATSON: Golly, I like to think so but there will be people who know more than me.

40 **MR COSTELLO:** All right. And you mentioned at the outset that your work with the CFMEU is now concluded?

MR WATSON: Yep.

45 **MR COSTELLO:** No further reports being written?

MR WATSON: I still - I've spoken, I think, to the investigator there, Craig Newton. I think we are speaking more often than when I was actually doing the work because

I've continued to receive information from various sources and I pass it on to him and he also rings me up to ask had I heard of so-and-so, et cetera, et cetera. So it's not formal work, it's not paid work but I continue to have an interest in it.

5 **MR COSTELLO:** All right. Insofar as Victoria is concerned, you've delivered two reports or at least two final reports. There was an interim report that was earlier days and then much more recently a much longer final report into a whole variety of conduct in Victoria.

10 **MR WATSON:** Depending how he define report, it was a lot more than two. You're talking about the one that is published very recently - or well, it's not been published. The one that has come out very recently. You mentioned it: Rotting From the Top.

MR COSTELLO: Yes.

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MR WATSON: There was also one which was labelled the interim report.

MR COSTELLO: Yes.

20 **MR WATSON:** Now, they are the two prominent ones but apart from that I did give short reports on particular isolated issues from time to time and advice on this and that and the other thing. So there's been a lot more than just those but those are the two formal ones -

25 **MR COSTELLO:** Yes.

MR WATSON: - that you've seen. A lot of them are internal and appropriately internal, by the way.

30 **MR COSTELLO:** I see. Perhaps we could have Watson 1 on the screen. Can I have Watson 3, perhaps. Thank you.

MR WATSON: So this is Watson 3, you said?

35 **MR COSTELLO:** Yes.

MR WATSON: This is the original one which was partly under Maurice Blackburn, partly under the administrator.

40 **MR COSTELLO:** I see. So and that's the report that I have both called the interim report.

MR WATSON: Thank you.

45 **MR COSTELLO:** And if we could just move to the final page of that report, please. These were the terms of reference that you were provided with.

MR WATSON: Yes. These were drawn up Maurice Blackburn.

MR COSTELLO: Yes.

5 **MR WATSON:** They were not really my limits when I was working for Mr Irving. I was allowed to roam more freely, as it were.

MR COSTELLO: Yes. Your scope expanded under the administrator?

10 **MR WATSON:** Yes.

MR COSTELLO: But, in general terms, how would you describe the matters that you address in the interim report?

15 **MR WATSON:** What - I'm not sure what you mean by that?

MR COSTELLO: How would you summarise the work, the interim report is concerned with?

20 **MR WATSON:** I have re-read it recently, Commissioner, and I cannot believe how boring it is. It's real dishwasher stuff. I don't know what got into me. I was far too mild because I can remember at the time being very shocked and when I re-read the report, I thought, or the interim report to make it clear, I thought a wow, I wasn't really saying what I truly felt. It covered a fairly broad range of matters, but it
25 exposed that there was a really very deep dark problem.

Now there is an advantage in the interim report which I've never had since which was when it started, the executives were still in place except for Setka. So I got to speak to Derek Christopher and I got to speak with Joe Miles, Rob Graauwmans - so
30 I had them in the room. Indeed, Commissioner, it's quite vivid in my recollection that I was talking to Elias Spernovasilis, one of the assistant secretaries, and there was a at the door and Zach Smith stuck his head in and said, "We have just been placed into administration." I turned to Mr Spernovasilis and said, "Don't bother answering that question." And Jess Moir and I left the building. So I got to talk to them so
35 there's actually quotes there. That was actually quite helpful when I was preparing the more recent Victorian report.

MR COSTELLO: Thank you. Commissioner, I tender that report which is entitled Interim Report into Allegations Against the CFMEU Victoria/Tasmania dated 12
40 September 2024.

COMMISSIONER: What's the date? 12 September 2024?

MR COSTELLO: Yes, I think my learned friend Ms Fox might have something to
45 say about it.

COMMISSIONER: Thank you, Ms Fox.

5 **MS F. FOX:** Commissioner, on behalf of the CFMEU, can we put on the record that the administration doesn't object to the tender per se of this or any of the other reports. However, we don't want to be seen to be conceding that they are relevant in the way that my learned friend has described and the CFMEU will seek to make submissions at an appropriate time as to the weight that this Commission ought give those reports, if any, that relate to both New South Wales and Victoria and Tasmania.

10 **COMMISSIONER:** Thank you, Ms Fox, I understand that submission.

MS FOX: Thank you Commissioner.

15 **COMMISSIONER:** Are there any objections to the tender? No? Tender the interim report into allegations against the CFMEU Victoria and Tasmania branch dated 12 September 2024 as exhibit GW11.

<EXHIBIT GW11 INTERIM REPORT INTO ALLEGATIONS AGAINST THE CFMEU VIC & TAS BRANCH DATED 12 SEPTEMBER 2024

20 **MR COSTELLO:** Could I now have on the screen, please, Watson 2.

COMMISSIONER: Can you just tell me just for my own knowledge, Mr Costello, the document we just received in evidence as GW11, has that been redacted?

25 **MR COSTELLO:** I think the answer is no, there's no redactions.

COMMISSIONER: There's no issue.

30 **MR COSTELLO:** As I understand it, there's no issue.

MR WATSON: And I've re-read it and I don't believe there is any need for further redactions.

35 **MR COSTELLO:** I think I'm right to say the form it has been tendered is the form that is publicly available in any event.

MR WATSON: And there's also in the form which was tendered to the High Court in the Ravbar proceedings and used to establish the constitutional fate.

40 **MR COSTELLO:** Mr Watson, I have another document brought up on the screen which is entitled the Greenfields Legal Fees. Can you explain whether this is a report you prepared and if it was, what it concerns.

45 **MR WATSON:** This is a report I was principally responsible for preparing, I had a junior, Diana Tang, and we did it together. It concerns a really quite unusual thing which happened in New South Wales. The Greenfields father, Darren Greenfield, was secretary. Son, Michael Greenfield, was assistant secretary of the New South

Wales branch. And they had been charged with certain criminal offences and there were resolutions to meet their legal fees.

5 Now, the whole story is complicated. I looked at this report again this morning and I feel quite embarrassed about its length but it was actually very complicated trying to get to the bottom of it. The charges were very minor matters and were very, very strong cases. They'd run up \$900,000 in legal fees which had been paid by the union and the process was appalling.

10 But then, knowing that the administration was about to come in or rumoured to be about to arrive, another \$3.1 million was siphoned out of union accounts and into the trust account of a firm of solicitors to cover their further legal fees. The whole thing is diabolical story. It's not well told in this report. It's told but in far too lengthy a fashion, I feel. Sorry.

15 **MR COSTELLO:** I think I'm right to say that those funds, the three-odd million dollars you mentioned, were ultimately recovered by the union.

20 **MR WATSON:** All except I think \$44,000 and I don't know whether that was or wasn't recovered in the end.

MR COSTELLO: Thank you.

25 **MR WATSON:** But the \$900,000 I know because, again, I've spoken to people at the CFMEU I know there were matters in train to try and recover some of that as well.

MR COSTELLO: That's \$900,000 in legal fees.

30 **MR WATSON:** \$900,000 in legal fees and it was amazing but as best as I could tell, the matter had been mentioned a few times but it had a day hearing in the local court in New South Wales and lawyers who racked up 900 grand in fees. It's a pretty strange story.

35 **MR COSTELLO:** Commissioner, I tender that report, which is entitled Greenfields Legal Fees Report Into Criminal Conduct and Corruption in the New South Wales Branch. It is undated.

40 **MR WATSON:** I'm just going to say this - as you know, I don't have a legal representative so in a sense I'm doing it myself but in your opening you didn't mention this but this does have some relevance to what this Commission is doing because it shows the way in which the Committee of Management in New South Wales was manipulated by the executive in New South Wales. That sort of thing was happening in Queensland. That sort of thing was happening in Victoria. Lesson to be
45 learned more broadly is whether or not something needs to be done whether there needs to be put in place an effective Committee of Management.

As you know in the structure, the executive is just like our executive in federal parliament. The Committee of Management is a bit like the parliament. It's elected by the membership to represent the membership, but as far as I can tell it's just overridden by the executive in those three places, Queensland, New South Wales and Victoria.

MR COSTELLO: And one - that is one aspect of this report, the overriding of the executive in New South Wales.

MR WATSON: The Committee of Management was kept in the dark.

COMMISSIONER: Can I ask you the same question about this - that I did about exhibit GW11: Are there any redactions -

MR COSTELLO: No, this is a document that exists in the public domain.

COMMISSIONER: Can you just give me the title again?

MR COSTELLO: Greenfields Legal Fees Report Into Criminal Conduct and Corruption in the New South Wales Branch.

COMMISSIONER: Undated but which year? It must have been last year, I think.

MR COSTELLO: 2025.

COMMISSIONER: We finished a few days before Christmas, I think, 2024.

MR COSTELLO: You handed it to the union just before Christmas, did you?

MR WATSON: Yes, I remember because I spoke to Peter Keogh. He was off to the administration Christmas lunch and I was going off to the barristers Christmas lunch they go to.

MR COSTELLO: Barristers Christmas lunch is strong evidence of 2024.

COMMISSIONER: The document will be exhibit GW12.

<EXHIBIT GW12 GREENFIELDS LEGAL FEES REPORT INTO CRIMINAL CONDUCT AND CORRUPTION IN THE NEW SOUTH WALES BRANCH DATED 2024

MR COSTELLO: And could I have Watson 3 on the screen, please. Now, I want to turn to your most recent work, Mr Watson.

COMMISSIONER: The Queensland report has already been received in evidence.

MR COSTELLO: It's already in evidence.

COMMISSIONER: Yes.

MR COSTELLO: I think it's GW6.

5 **COMMISSIONER:** Thank you.

MR COSTELLO: This is the front page of your final report to the administrator in connection with the CFMEU in Victoria; is that correct?

10 **MR WATSON:** That's correct.

MR COSTELLO: All right. And your report is entitled Rotting from the Top, The CFMEU in Victoria During the Setka Era.

15 **MR WATSON:** Correct.

MR COSTELLO: This report is dated 27 January 2026?

20 **MR WATSON:** Yes.

MR COSTELLO: Do you recall that?

MR WATSON: Yes.

25 **MR COSTELLO:** Now, before I come to tender it, perhaps you could just explain the timeline. How long were you working on this report before you produced the final -

30 **MR WATSON:** On one view of it, I was work on it from the day Josh Bornstein called me because it does include information which I collected over a lengthy period of time, bit by bit by bit, from Victoria. But more directly, what happened was after I finished the Queensland report, I was asked to go to meet with the administration down in Melbourne and I figured while Mr Irving was - he had a health issue he wasn't there but I met with Michael Flynn and Peter Keogh and they
35 told me they wanted me to write a report on Victoria.

40 And so I can't put a precise date on that. It would be within a month after the date of the Queensland report. I was, at that stage, I'm not sure, immediately told about a deadline but I'm a big believer in deadlines. I would rather have them than not have them. And at some stage or another it was a very, very firm deadline set that it was to be finished by 1 December 2025 and I can't tell you when that date was settled but I was always in mind that I had that period of time. So it was written between that first date, say a month after the Queensland report, and I finished it on 29 November. This is in draft form, not in the form that you're looking at now, on 29 November 2025.
45

I then, because my dealings are through the administrator, sent it by email to Mr Irving and I got the email address wrong. So when I hadn't back from him, I think he would have got it by around about 1 December.

5 **MR COSTELLO:** All right.

MR WATSON: But there were some hiccups and problems on the way to getting this finished by the 1st of December but I don't know whether you want or need to know about those.

10

MR COSTELLO: Well, I might come back to those. Let me just stick with the timeline for the moment. You completed the work by 29 November. You thought you sent it to the administrator. You had, in fact, not managed to do that but within a few days you had emailed it to the administrator.

15

MR WATSON: Yeah, eventually I got it right. And I'm pretty hopeless at these sorts of things.

20 **MR COSTELLO:** When you say the administrator, is it Mr Irving you personally provided this to?

MR WATSON: Yes, I believe, with something like this, this report, well you've read it. I didn't want anybody seeing this come from me except for Mr Irving.

25 **MR COSTELLO:** I see.

MR WATSON: This is as at 29 November. I didn't want anybody else seeing it at the time I sent it through to Mr Irving.

30 **MR COSTELLO:** Yes. All right. I will ask you some more questions about that but for present purposes, Commissioner, I seek to tender that report. Can I indicate as I did in my opening that there are extensive redactions to the report. Some were applied following discussions with the administrator. Some following discussions with Mr Watson. Some based on views formed by those assisting you. But in each
35 instance, the basis for the redaction is the protection of the interests of people or informants who are properly described as vulnerable or at risk by reason of the material in the report. And on that basis I only intend to tender this report in the redacted form that is on the screen now.

40 **COMMISSIONER:** Is it the case that last time when the Queensland report was tendered that the position that you took was that that was a, in effect, a holding position; that is, if some person wants to come forward to say that parts of that report, the Queensland report, or parts of this report, the Rotting From the Top
45 report, should be unredacted so they've got an opportunity to see what is said against them, then that application be considered. It wouldn't necessarily be granted, but it would be considered.

MR COSTELLO: No, it is plainly open to, at least any party with leave and probably beyond that, for an application to be made that is concerned with redactions and those applications will, of course, need to be considered on their merits.

5 **COMMISSIONER:** You just gave some - Mr Watson gave some evidence that his report was dated either 29 November or 1 December, I can't remember. This one is dated 27 January 2026. Have I got the right document?

10 **MR COSTELLO:** That's right. This is the final report which is dated 27 November, I think that date appears on page 89 of the report. Perhaps -

COMMISSIONER: 27 January.

15 **MR COSTELLO:** Sorry, 27 January. That's the date on page 89.

COMMISSIONER: And I note your submissions earlier, Ms Fox, and the receipt of this document is obviously into evidence obviously without prejudice to your rights?

20 **MS FOX:** Yes, the position of that CFMEU relates to each of the reports that have been tendered.

COMMISSIONER: Are there any other objections to the report Rotting From the Top report dated 27 January 2026 as redacted? No one else? The Rotting from the Top report dated 27 January 2026 comprising with 18 case studies as an annexure, 136 pages, and as redacted and provided to the Commission, will be exhibit GW13.

<EXHIBIT GW13 ROTTING FROM THE TOP REPORT DATED 27 JANUARY 2026

30 **MR WATSON:** Commissioner, in relation to at least one area of the redaction, I just noticed this this morning, there is an issue which would not place anybody at risk but if Mr Costello comes to it and asks me any questions about unnecessary delegates being appointed, I would like to give you some general information relating to information which I got, I saw myself, in respect of how much these men were
35 earning. Now that's not going to place anybody at risk but it will be of great interest to you so if that could be kept in mind.

COMMISSIONER: Thank you.

40 **MR COSTELLO:** Thank you Mr Watson. I want to go carefully through this report. Before I do, I just want to continue with the timeline for its preparation. Could we move to paragraph 57 - numbered paragraph 57 of the report, please. Which is on page 8, I think. Thank you. Perhaps if 57 could just be enlarged.

45 **MR WATSON:** There's something else I should tell you. I suppose you would have realised that there's a separate private report in which I identify the individuals who are covered by a pseudonym. Of course you won't want to publish that here it will

undo all the protection that I tried to put in place for them but there is a record for that.

5 **MR COSTELLO:** You applied throughout this report pseudonyms.

MR WATSON: Yes.

10 **MR COSTELLO:** In respect of names and then you provided the administrator with another document which identified the actual name of each pseudonymised person.

MR WATSON: Yes and each of the pseudonyms have been redacted and they're not in this version that's been tendered.

15 **MR COSTELLO:** I don't think invariably. There are some -

MR WATSON: Most of the pseudonyms there and I think there are a couple of pseudonyms also redacted because the story or the context might have given away the identity.

20 **MR COSTELLO:** Thanks. Paragraph 57 is on the screen there. Here you identify eight factors which wrecked the CFMEU. By that you meant eight factors that brought the CFMEU to the point where the administrator was appointed?

25 **MR WATSON:** Yes. Although, I've got to say this: Even after the appointment of the administration there was still trouble with Gatto.

30 **MR COSTELLO:** All right. I'll come back to that. So the eight are the CFMEU's growing contempt and disrespect for the law, the rapid increase in money which became available through the Big Build -

MR WATSON: Look, if you want to stop and say there was one big problem in Victoria. That's it. That's the spinal column of the problem. In Victoria, everything falls from that. There was the big money coming from the Big Build.

35 **MR COSTELLO:** Thank you. CFMEU is taking over civil sites and workers ordinarily covered by the AWU.

MR WATSON: Yes.

40 **MR COSTELLO:** Growing fear amongst contractors that the CFMEU would use its power to damage them.

MR WATSON: Yes.

45 **MR COSTELLO:** The government inaction on the CFMEU.

MR WATSON: Yes.

MR COSTELLO: And the influence of each of Mr Gatto, Mr Setka and Mr Myles.

5 **MR WATSON:** Yes so if anybody is saying why did I say there are eight issues but only six bullet points, it is because there were three separate ones in the last bullet point.

10 **MR COSTELLO:** The influence of each of Mr Gatto, Mr Setka and Mr Myles is, to your mind, a separate factor which contributed to what you call the wrecking of the CFMEU?

MR WATSON: Separate but related.

MR COSTELLO: Thank you. Presumably all of these eight factors are related?

15 **MR WATSON:** Yes.

20 **MR COSTELLO:** And then the method of the report is, if that paragraph could be brought down, is to give a short explanation of each of those factors. So the first factor being growing contempt and disrespect for the law. That's what you are dealing with under the heading immediately below, Sheer Lawlessness.

MR WATSON: Exactly.

25 **MR COSTELLO:** And then if we go over the page, the Big Build and big money.

MR WATSON: Yes.

30 **MR COSTELLO:** And that's the second bullet point. And then if we go to page 10, sidelining the AWU, that's the third bullet point.

MR WATSON: Yes.

35 **MR COSTELLO:** And then on page 12, commencing at paragraph 88, the fear factor.

MR WATSON: Yes.

40 **MR COSTELLO:** That's the fourth bullet point which was a growing fear amongst contractors that the CFMEU would use its power to damage them. The fifth bullet point is the governmental inaction on the CFMEU, there's no heading for that. But then if we go -

MR WATSON: That was covered, I think, in the press this morning.

45 **MR COSTELLO:** Yes, we'll come back to that. Go to page 13, deal with Mr Gatto. Page 15, Mr Setka, and page 16, Mr Myles.

MR WATSON: Yes.

MR COSTELLO: So that's the methodology of the report and each of the eight factors you identified is explained save for the fifth factor, the governmental inaction on the CFMEU.

MR WATSON: That's correct.

MR COSTELLO: And the reason that that is not explained is because that portion of your report didn't make it to the final cut.

MR WATSON: Well, yes, I mean - that's one way of putting it. I can explain that.

MR COSTELLO: It's the case that in the original report that you provided to the administrator, there was a section that dealt with that bullet point.

MR WATSON: Yes, it had its own heading.

MR COSTELLO: And how did it come to be that that part of the report was excised from your - from the final report?

MR WATSON: Well, I don't think there's any point in telling that story only about that because there was another part which was cut out.

MR COSTELLO: I'm going to come to each of them.

MR WATSON: Well, if - you said there was a short part written about this. I try and make these reports as brief as possible because if they're going to do any good, any public good, they've got to be readable and digestible. If you produce a 400 page report, it will go and sit on a shelf somewhere. So I'm trying to make these things readable understandable by members of the public who are interested to read them.

Now, what I am about to tell you is something which applies to all three of the parts of the report which were affected, two of which were removed. Do you want it that way?

MR COSTELLO: I'm happy for you to do that.

MR WATSON: I knew that - I'll just go back a step and start with this: I had been issued with a summons to produce the report by this Commission. I spoke to somebody, I think it was probably Mr Moy, and I made an arrangement that my discharge of my obligation under the summons would be subject to discussions between the administration and the Commission.

I understood that there were discussions between the administration and the Commission, the production of it would be deferred. That was my preference because I knew, in the thing which I had sent to Mr Irving dated 29 November there

were a couple of factual errors that I needed to correct. So I was quite happy for that to occur. I knew that it would come back to me.

So I then stopped any work on this and went off and did something else.

5

MR COSTELLO: Do you recall about what time - what date you're talking about now?

10 **MR WATSON:** If you saw the original summons, and I'm sure the solicitors could turn it up, it would have been within a couple of days of that. I understood, now I can't remember how but it was speaking to somebody in the administration, that the administration had agreed with the Commission that the report would be produced by 27 January 2026. So there was a deadline in place.

15 Now, I passed over my work on, as I say, it's dated 29 November but I passed it over, I think, effectively on 1 December and I may have had some conversations with people but I didn't get any feedback on the report until - I think it's the 22 January.

MR COSTELLO: Any feedback from the administrator on the report.

20

MR WATSON: On the report. Now, I was still in contact with the administration from time to time because big things were happening. There were a number of people, prominent people, who were taking redundancy packages and other - another one who was being called in and I believe given a final warning, as it were. You know, that sort of thing was happening. There were also arrests made in relation to certain of the issues which were in the report. So I was talking to them and saying, "Do you want me to do this, do you want me to do that?" Nothing much happened.

30 Now, it's on the Wednesday, somebody do me a favour and look it up, Wednesday before Australia day, around about 4 o'clock I got a call from Mr Irving about the report. And I knew that we were under a deadline that had to be produced by the 27th.

MR COSTELLO: That's about the 21st, the Wednesday before Australia Day.

35

MR WATSON: All right, I'm wrong when I said the 22nd. What happens was that I spoke to Mr Irving and I - he told me some things about the report. Now, I'll come back to those as they affect this in a moment, but that was really the first feedback I had about the report. And what had happened was the report had been changed and it had been changed in a material respect. I was sitting in the little study they use at home and of course I didn't have the new document so I was talking on the blind to Mr Irving and he told me that there was some changes made. One of them, by the way, Commissioner, was excellent. That's not my title for the report. Somebody in the administration did that and it really does reflect my view and I thought it was perfect.

45

MR COSTELLO: The original title in your report was Something Has to Change.

MR WATSON: Something Has to Change which was ordinary, very beige.

MR COSTELLO: You didn't intend that as something must change.

5 **MR WATSON:** Something must change.

MR COSTELLO: That wasn't an invitation to have your report edited.

10 **MR WATSON:** No. Well, maybe subliminally. But anyway what happened was Mr Irving and I discussed about the substance and he told me that there were three things which had to come out. And the first - we went through the three of them. Look, I was in my study. I'm not sure whether there was anybody else on the conversation with Mr Irving's end. I don't know. It could have been. I wouldn't have been offended if it was and if it was, they probably would have told me but I've just
15 forgotten. But it doesn't matter because my discussion was with Mr Irving. He told me two things to come out: The first one, he told me, was my estimate of what this had cost the Victorian taxpayer.

20 **MR COSTELLO:** When you say "this", you mean what the conduct of the CFMEU in Victoria had cost the Victorian taxpayers.

MR WATSON: Exactly. And we went through it and, you wouldn't believe this by looking at me but I am a very bad tempered, petulant person and I can be rubbed at a moment's notice and when I say petulant, I mean I kept it together. I was really
25 actually quite angry.

MR COSTELLO: You were angry at the insistence that this part dealing with cost to Victoria taxpayers be removed. Why is that?

30 **MR WATSON:** Yes. The reason I said why, it was outside the terms of reference. Now, you haven't asked me about what my terms of reference were. As far as I was concerned, I had unconstrained entitlement to prepare that report and I believe I gave evidence here on an earlier occasion to that effect and I can't remember the administration saying that I was wrong.
35

So I didn't accept that it was outside the terms of reference. The second thing was that my estimates were really by a person who was unqualified and more an amateur. And that is a criticism I not only accept, I actually made that point when I was giving the figure. But that said, and you can ask me any detail about this, I'm only telling
40 you about the conversation now, I can justify the numbers that I put forward amply. They are conservative. But can we return to that and I'll finish the phone call?

MR COSTELLO: Yes.

45 **MR WATSON:** So I received a direction. You may wonder why, particularly given a degree of arrogance, I accepted it. I will tell you why I accepted it.

MR COSTELLO: You accepted the direction.

5 **MR WATSON:** I accepted the direction because I (inaudible) the direction. If you look for example there's a statutory immunity granted to the administrator and there is a derivative statutory immunity granted to those acting under the administrator's direction. For example, and I suppose I should reveal this because he features in the report, Mick Gatto has said he is going to sue me for defamation. One of the defences is I was acting under a direction and thus entitled to the derivative statutory immunity.

10 **MR COSTELLO:** So you were concerned if you didn't add here to the direction you had been given by the administrator that you would be outside the derivative immunity that was a legal protection of you or the work you had done?

15 **MR WATSON:** Yes. I know this is going to sound, perhaps, to some people that I'm weak, but I also thought that legally speaking even in addition to the immunity that I should act under the direction of the person who had retained me. That was the first part of the conversation but I can tell you right now, I do not accept either of the points made against me.

20 The second was relating to something which you had picked up and started this with, which was about the governmental inaction. I was told I had to take that out. And again I asked why, again I was told outside terms of reference. Really, I just cannot see how I could write the report without making observations on how this thing in government projects had been allowed to slip so far beyond control. So I don't accept that at all.

25 And the second one was that it was uninformed and the word was that it was speculative. It sure is speculative. It's speculative to say the sun will come up tomorrow. When you read the simple points which I had made in the original version of the report, I would have thought the primary criticism of it would have been that it was a statement of the bleeding obvious.

30 Anyway so I didn't accept those. Sorry, I accepted, I was acting under a direction but I didn't accept that the direction was properly made. Put that aside, there was a third one. The third one was in relation to the appointment of unwanted, unnecessary delegates. Now, this is something which developed in my mind almost from the first days of doing this stuff under the Maurice Blackburn, which is where are these delegates coming from because a lot of them are really bad people, unqualified, inexperienced.

35 People were coming straight out of jail, straight into a man who had killed somebody and participated in an event where the dead man's body was dumped, was released from jail and almost immediately appointed a health and safety representative of the Victorian branch of the CFMEU. I'm seeing this stuff and just thought it was horrifying. Well, Mr Irving spoke to me and he told me I had got the position wrong with the appointments of delegate and what I had said was too sweeping.

He explained to me that a lot of the delegates were properly qualified and were proper people and that what I was saying really reflected an incorrect view of -

MR COSTELLO: He thought you had overgeneralised.

5

MR WATSON: I overgeneralised and Mr Irving - I said look just tell me where I went wrong and I can fix it. He said when he was reading the report he was sitting down and he said it would take him, I think he either said hours or days, for him to sit down and fix it. An I said tell me and it will take me an hour. And he explained to me what was wrong and it was agreed that that had to stay.

10

Now, I remember in the conversation saying "No, I can't let the report go out if that's not it" because, quite frankly that's the heart and lungs of this. This is how they've corrupted the union. So it was agreed that that went back in. I sat down at the computer, laptop, two finger typing. I was able to fix it in no time and it's in there and it's a very important section in the Victorian report and it's important for you, Commissioner.

15

MR COSTELLO: And so is it fair to say that in respect of that -

20

MR WATSON: I haven't really finished the story. Understand that it was then in that conversation, I love a deadline. I said give me a deadline and Mr Irving told me Friday lunchtime. Now you've got the dates at your fingertips. I know that the Monday was the Australia Day holiday. So I had to do it by the Friday before the Australia Day long weekend. I think those dates are right, but I knew that it had to get in by the 27th but I got the deadline.

25

What happened was it was only then, about 5 o'clock on the Wednesday, that I was sent what had happened to my original draft. And when I looked at it, I was shattered. What had happened was people had made changes in it, including the excellent change about the title, I'm not saying these things were wrong, they may have been correcting typos or removing split infinitives and the like. I don't know. But it meant that the paragraph numbers were all wonky and the fonts were all changed even sometimes mid paragraph, footnotes had been left without numbers. The whole thing had been sort of butchered in an editing sense.

30

35

So the next morning I rang up Mr Irving and said I agreed to Friday because I thought there was only this little bit of work and I thought I could address it. I can't possibly do this and then he told me Monday. Now, at that point, I should say this, I've employed paralegals who have assisted me in writing who can type. I'm a two finger typist who can edit. Anyway, at that point I rang around my pool of paralegals and received I think four consecutive knock-backs and the administration gave me the most wonderful person to work with me.

40

I won't mention her name but we did it all on zoom and we were able to prepare this and she did an absolutely brilliant job. But by golly it was hard work, and it was on the Australia Day weekend, I'm not trying to paint myself as a victim but I was

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supposed to go to a house-warming that day and I had to send them a message saying I couldn't come because we had to finish it to get it through to the administration so that it could be provided to the Commission by the 27th.

5 **MR COSTELLO:** I just want to understand what it was that you were doing at that time. Part of what you were doing were edits to the portion on delegates following your discussion with Mr Irving.

MR WATSON: A bit of a rewrite there.

10

MR COSTELLO: Where he had expressed a concern about over-generalisation. But is it right that he had also expressed other concerns about the structure or - of the delegates or organisers or was it just a concern?

15 **MR WATSON:** No, no, no. It was in the way that I described it. If I start talking about it now, everybody will doze off. It's highly technical about the way delegates were appointed.

20 **MR COSTELLO:** Yes. And did he have concerns about technical aspects that you had written about?

MR WATSON: Yeah, I've got to be careful what I say here but you know what industrial lawyers are like.

25 **MR COSTELLO:** I don't know what you're talking about.

MR WATSON: Sorry, Commissioner. No, quite seriously, it was sufficiently technical that Mr Irving walked me through it, very clearly, and I was able to fix it. The report, I believe, is now perfectly accurate.

30

MR COSTELLO: I see.

35 **MR WATSON:** There were other things, remember I said there were a couple of factual things I had to correct, and also in the way that it had been framed in the redraft, there were things which I wouldn't let go out under my name because it wasn't my writing style.

MR COSTELLO: I see.

40 **MR WATSON:** Let's remember when I said I was arrogant. Anyway.

MR COSTELLO: Okay.

45 **MR WATSON:** So that's what happened there. Now, I haven't probably answered your question.

MR COSTELLO: No, I just wanted to understand. The document you were working from at this stage was a document that had a whole series of edits that had been made by people within the administration and you were working through those edits and you were also making changes consequent upon your discussion with
5 Mr Irving. Is that a fair way to summarising the work that you were doing for the report?

MR WATSON: Yes. But one of the surprising things is it meant reworking the whole of the report from top to bottom because the changes which were made which
10 my assistant explained to me how hard it was to redo it, it took her over one day just to get things like the fonts and the paragraph numbers corrected. But she tried to explain it to me and she used the word metadata and I immediately turned off.

MR COSTELLO: I want to come to some of the particular changes. The first that
15 you mentioned concerned costs to the Victorian taxpayer. What I can't do, Mr Watson, is tender the draft version of the report that you provided to Mr Irving for reasons you will understand concerning personal safety.

MR WATSON: Absolutely, you cannot possibly do that.
20

MR COSTELLO: In the time available (crosstalk) not being sufficient but there are portions of it that I can show you faithfully. Can I have Watson 6 on the screen, please. Can I just explain what you are about to see, Mr Watson. This is
25 a comparison version of the draft that you originally provided to the administrator and the final report.

It shows in the red what has been removed.

MR WATSON: You've made those markings.
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MR COSTELLO: That's right, these markings have been made by the solicitors assisting so that it's easier to identify what the changes are that made have been, otherwise it's almost becomes very tricky given paragraph numbering and other things. But in any event, insofar as you recall it, the paragraphs that you see on the
35 screen there struck through in red, you're aware that those paragraphs did not make the final report?

MR WATSON: It's not a question of recalling it. That's exactly right. I do have access, obviously, to my own original report and that's what it said. But that was all
40 eliminated.

MR COSTELLO: And had you had your own way, this material would have stayed in the report?

MR WATSON: Absolutely. I wrote it.
45

MR COSTELLO: Now -

MR WATSON: In fact, make no bones about it: This is right at the start of the report. If I'm right, it's I think the third paragraph, you know, don't bury the lead. The journos will like that. I was actually thinking this was something so important it needed to be said upfront.

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MR COSTELLO: And you said the administrator's concern with this were two-fold: terms of reference, expertise. Is that fair?

MR WATSON: Yes.

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MR COSTELLO: I think your evidence was you don't accept either of those criticisms.

MR WATSON: No, nobody asked me to justify where I got the numbers from. I will tell you if you ask me but they are solid. They're sound and you know what? They probably half the truth.

15

MR COSTELLO: All right.

MR WATSON: And I did that because I did not want to make some kind of flamboyant error because I did know that these were rough estimates.

20

MR COSTELLO: All right let's have a look at what it was that you wrote. The second paragraph on the screen there, you had written the government and I think you made it clear earlier in your report when you say "the government", you're talking about the executive arm of government obviously, you mean ministers and bureaucrats in combination.

25

MR WATSON: Yes. I mean, that is really what government is but people think it's just, people think it's the parliament but the government in my book are the ministers and the senior bureaucrats.

30

MR COSTELLO: Thank you. So you say here -

MR WATSON: I say that somewhere in the report, by the way.

35

MR COSTELLO: You do. The government says the cost of the Big Build will be in the order of \$100 billion.

MR WATSON: Stopping there, that's the first conservative estimate I took because other people have said it's much more than that so I've used the lowest figure.

40

MR COSTELLO: "Several industry experts were asked to express as a percentage their opinion about the additional cost incurred by the crime and corruption generated by the CFMEU."

45

I will stop there.

MR WATSON: I would say there were a dozen people that I asked.

MR COSTELLO: You asked a dozen people who you think would properly said to be industry experts.

5

MR WATSON: Yes and it could well have been more than a dozen because when I would speak to somebody who I thought it was in a position to make such a estimate, I would quite often wrap up the conversation with this issue. And so when I talk about industry experts, I can explain who I thought was qualified to do it and why I thought they were qualified to do it.

10

MR COSTELLO: Yes, what was the type of people were you speaking to, I don't expect you to name names for present purposes -

MR WATSON: I certainly will not name some names but some were bureaucrats and they really need to be protected and I'm very grateful for their assistance. I then spoke, and this is a fabulous source of information on this, to a bunch of the big contractors in civil work. Now, just to bore the audience, I think I might have even said this last time. In the building industry there's construction work is which vertical. There's civil work, which is horizontal. Civil work is tunnels, roads, railways, sewers, those sorts of things. Construction work is office towers, et cetera.

20

Now, the Big Build in Victoria, a lot of people here are from Queensland probably you don't know about it, involves roads, tunnels, railways. It's all nearly entirely civil work. And this is where the, let's call it a hundred billion dollars is going to be spent. So I went to the people who were the contractors on the civil side, not the construction side, on the civil side. The people who had been doing this work before the CFMEU took over the AWU's control of civil construction in Melbourne.

25

And I asked them time after time how much extra did it cost once the CFMEU took these controls. Most common answer: 30 per cent. Not only that, I noticed, and these things were not asked to be removed from the report, in the report you will find embedded in it two times at least where I quote civil contractors who talk about the specific prices and in both of the instances I think they said it was a one-third increase to the AWU prices by reason of the new CFMEU prices.

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MR COSTELLO: And you give some, well, you explain in the next sentence or two of the paragraph that's on the screen how it was that those people in general terms came to that figure; that is they had expertise of the cost of projects before the CFMEU entered into what had historically been the space of the AWU and experience after that point in time and they were able to form a view about the cost additional that they attributed to the CFMEU's conduct?

40

MR WATSON: They were giving me specific examples of how much it cost per hour to get a traffic management person on a building site. That's quite striking. Now, time after time after time, they were saying 30 per cent. You know what they would add? Why are you asking me about that, why don't you ask me about what the

45

delay cost. I didn't include that. There was actually probably a substantial additional cost through delay.

5 This is always incidentally, it's not just hourly rates. It's the fact that if you go to these building sites, if the AWU had one spotter working when a crane was working CFMEU always had two, et cetera, et cetera. It's all the additional staff the way it works on sites which were overcrowded with redundant people since the advent of the CFMEU. So that's where I was getting the number from.

10 Now I spoke - one of the people I spoke to said it would be at least 10 per cent. I picked 15 per cent. Now, I know that I'm unqualified. I know I'm not an economist or an accountant with professional skills. These guys are. And they were the ones I was getting the information from. So I don't accept that it was unqualified. I think it was highly qualified. Not only that, in the Cole commission report there were
15 estimates made of a similar kind and it was figuring it at 30 per cent. Let me give you what the take way is it could be 30 billion.

MR COSTELLO: Take down paragraph 29 and perhaps put up paragraphs 31 through to 34. So part of this is what you've just been speaking of. At one an
20 experienced person estimated 30 per cent increase, most said it was between 15 and 20 and you and you didn't speak to anyone who said it was less than 10 per cent.

MR WATSON: Yep.

25 **MR COSTELLO:** And then based on that, you formed the view admittedly in your own description a very rough estimate, of 15 per cent being not unreasonable. In fact, you thought it to be conservative.

MR WATSON: There's no doubt it's conservative.
30

MR COSTELLO: And then it was an application of the maths, 15 per cent of what had you previously described as being the conservative estimate of \$100 million in capital works and so, to your mind, you were being conservative at both ends: The total cost of the Big Build and the percentage cost increase caused by the CFMEU. Is
35 that fair?

MR WATSON: It's perfectly fair. That's my view. I know others would disagree but I think you will find most people will disagree because they will say "No, it's much
40 more than what is estimated."

MR COSTELLO: And as you say, you did not include within that delay cost. You were talking about actual dollars spent.

MR WATSON: I thought that was impossible to quantify.
45

MR COSTELLO: Did people that you spoke to in connection with this issue mention delay cost to you?

MR WATSON: Yeah, they did. A lot of them would say, "That's just like on the pricing. What about the delay?" Because they would complain that sites were subject to stoppages.

5 **MR COSTELLO:** And so while you formed the view that 15 per cent was a very rough but not unreasonable estimate and a conservative one, you thought that the percentage might, in fact, be higher than that?

MR WATSON: Yep.

10

MR COSTELLO: And the outlier was, or the top of the range that was given to you was, 30 per cent?

MR WATSON: Yes.

15

COMMISSIONER: 30 per cent not including delay costs.

MR WATSON: Not including delay.

20 **MR COSTELLO:** Which, on the conservative estimate of \$100 billion in capital expenditure would have made it a \$30 billion additional cost.

MR WATSON: Yes, I may not be an economist but I can multiply 100 billion.

25 **MR COSTELLO:** Why did you consider it important to raise this matter in the course of your report?

MR WATSON: It just seems to me that is somebody who gets a little lost in this is the Victorian taxpayer, who is ultimately footing the bill. But I was especially hurt
30 when I found out that a lot of these projects were being partially funded by the Federal Government which I realised it was actually hurting my pocket, I was inspired - no, look, being more serious. Why isn't that a central issue? Why isn't that the very reason we're looking at this? If no harm was being done to anyone you would overlook it. But harm was being done.

35

And then, I think it's in here somewhere, because of what else I saw, the people who were benefitting from this were criminals.

40 **MR COSTELLO:** Because you considered that inevitably a portion of money that was heading in the direction of the CFMEU was ultimately finding its way into the pockets of organised crime, outlaw motorcycle gangs and criminal associates?

MR WATSON: Yes.

45 **MR COSTELLO:** Commissioner, could I tender that page, please.

COMMISSIONER: How do I describe that page?

MR COSTELLO: It is a marked up version of draft Watson report page 6 and it doesn't have a date because it's a creation of those assisting you.

5 **MR WATSON:** Is there any objection to the tender? The marked up version of the draft Watson report, page 6, will be exhibit GW14.

<EXHIBIT GW14 MARKED UP VERSION OF DRAFT WATSON REPORT PAGE 6

10 **MR COSTELLO:** Thank you, Commissioner.

COMMISSIONER: Can I just ask a question, I might do it after the break. Can you just tell me, Mr Costello, and you might be coming to this at some stage, as to when this Commission received the document which has gone into evidence as GW13 and
15 when it received the draft Watson report, an extract of which at page 6 has been received as GW14?

MR COSTELLO: Yes, I will do that after the break, if that is convenient.

20 **COMMISSIONER:** Thank you.

MR COSTELLO: Is that a convenient time?

COMMISSIONER: Thank you. We will adjourn until 11.30.

25 **<THE HEARING ADJOURNED AT 11.19 AM**

<THE HEARING RESUMED AT 11.30 AM

30 **COMMISSIONER:** Mr Costello.

MR COSTELLO: Thank you, Commissioner. Commissioner, to the extent I need to confirm any of this with Mr Watson to the extent it's within his knowledge, I will. But in answer to your question before the break, there are, of course, the two reports,
35 the final which is Rotting from the Top and the original draft which was called Something Must Change. The Commission issued a notice to the CFMEU's administrator on 22 January seeking Mr Watson's report.

40 **MR WATSON:** There was one much earlier than that. There was one last year - sorry.

MR COSTELLO: Than the one seeking Mr Watson's report. That summons was responded to on 27 January when Mr Watson's report, that is Rotting from the Top, was provided. Mr Watson's writing there had been some pre-history to all of that in
45 terms of the timing, which led to the notice being sent on the 22nd. The report being provided by the administrator on the 27th. As it happened, I think I'm right to say the

version provided on the 27th which had an incorrect date. A new version which was unchanged, save for the date, was provided the next day.

5 **COMMISSIONER:** What was the date on the original version of the first version of the Rotting from the Top?

10 **MR COSTELLO:** I think it was 29 November. 29 November 2025 and so that date was then amended and another version issued with the date of the 27th of January 2026, but otherwise unchanged. So, to that point, that was the draft - sorry, that was the document in the possession of the Commission.

15 Yesterday, the - you, Commissioner, caused a notice to be issued to Mr Watson seeking a draft of the report. That notice was given to Mr Watson yesterday afternoon and it was yesterday afternoon that Mr Watson provided his original draft as provided to the administrator, Something Must Change, to this commission.

COMMISSIONER: Thank you.

20 **MR COSTELLO:** Are you right there, Mr Watson?

MR WATSON: Well, I received on 8 December 2025 a summons issued by the Commission for me to produce the report but that was when I spoke, I'm sure it was to Mr Moy, and said "Can I discharge my summons by relying upon the arrangements that you make?"

25 **MR COSTELLO:** Yes.

30 **MR WATSON:** So I never answered that summons, in a sense, the administration did it for me. But the material, yes, yesterday you gave me a summons while I was sitting with you and I produced the report dated 29 November.

MR COSTELLO: Thank you. Mr Watson, we've dealt with the first -

35 **COMMISSIONER:** It sounds like there were two reports dated 29 November.

40 **MR COSTELLO:** As it happens, there was a Rotting from the Top report dated 29 November dated in error and then corrected and there was the Something Must Change report dated 29 November which was the original draft. And the date of the original draft is no doubt the explanation for why the date remained on the original version of Rotting from the Top that was provided to this Commission.

MR WATSON: Yes.

45 **MR COSTELLO:** Of the three substantive changes and, of course, there are others and I might come to some of those, but of the three substantive changes to Something Must Change that were made to the final version Rotting from the Top, the second concerned governmental inaction.

MR WATSON: Yes.

5 **MR COSTELLO:** And if I could have Watson 8 on the screen, please. Mr Watson, this is a document prepared in the same way as the one that I just showed you, that seeks to show what the changes were from your draft report to your final report and you can see there in paragraphs 99 to 101, there's some minor changes of the type that you explained had been made throughout the document.

10 **MR WATSON:** I mean, when the report did come back to me before Australia Day, I did take the opportunity to do a little bit of rewriting. I always tell my students there's no such thing as good writing, there's only good rewriting.

15 **MR COSTELLO:** Thank you. So changes of is that nature in those paragraphs. If those paragraphs can come down, please, and then we see the deleted Governmental Inaction on the CFMEU. And actually, if that could just be taken down for a moment, I will have it put back up in a minute, but just to show Mr Watson if we go over the page. Further deletions and a redaction has been applied there, Mr Watson, for reasons you will understand.

20 **MR WATSON:** Well -

MR COSTELLO: And then -

25 **MR WATSON:** Safety reasons.

MR COSTELLO: Correct.

30 **MR WATSON:** It was the source of the information which is contained in paragraph 111.

35 **MR COSTELLO:** Thank you. And then over the page again. So those two and a half-odd pages have been excised from your final report. Now if we go back to the first page of that document, please, and perhaps just blow up paragraph 102 to start with, this was part of the eight reasons the CFMEU was wrecked, to use your language; the six bullet points embodying eight reasons.

40 The matter we've just been dealing with, the cost, wasn't an independent reason. That was part of your report but not one of the eight reasons but this was one of them. And that paragraph there that's been deleted is the paragraph - well, the first sentence at least is the passage you and I were talking about, the explanation of government being the executive and the bureaucracy.

MR WATSON: Correct.

45 **MR COSTELLO:** And you said:

"It's appropriate that politicians and public servants should share the responsibility for what has happened for allowing the CFMEU to run out of control."

MR WATSON: Correct.

5

MR COSTELLO: All right. And if that paragraph can come down please and perhaps blow up the balance of, yes, thank you. Now, perhaps, Mr Watson, you can begin by explaining to the Commissioner your reasoning in identifying this as one of the eight factors in your report.

10

MR WATSON: Well, you've got to understand, if somebody had stomped on this, they could have stopped it. You know I'm going to prove that to you. Because they have stopped it. The administration has stopped it. It's largely fixed the problem in only 12 months. So if somebody had stomped on it earlier, the problem would have been fixed earlier. Now, who had that responsibility? Bearing in mind these were government projects. Bearing in mind these were taxpayers' dollars being spent, I took the view, I maintain correctly, that it was a governmental responsibility.

15

MR COSTELLO: When you speak of government as being ministers and the bureaucracy, did you mean the state government alone or do you mean state and federal?

20

MR WATSON: I don't think the Federal Government had anything to do with it.

MR COSTELLO: And so you considered -

25

MR WATSON: Well, sorry, there is nothing I have ever seen which would suggest that the Federal Government had anything to do with it. I can't be adamant. I'm not saying they didn't have people on the ground but I never heard of any feature like that.

30

COMMISSIONER: You're not - from the evidence you gave before the break of the co-funding arrangements for some of the projects.

MR WATSON: There was co-offending arrangements, so I suppose to that extent the Federal Government did have a responsibility to look where the taxpayers' were going. Although I guess in a cooperative federal system like we have, they have entrusted that to Victoria. Do you mind me making a point about 103 - the paragraph?

35

MR COSTELLO: Yes, please.

40

MR WATSON: When I was writing this, it occurred to me perhaps I should look back and see when it was these problems were being identified and you can see there I mention 2010. I was actually quite shocked when I saw it. Nick McKenzie has been writing about this since 2010. It's been going on. It was consistently in the

45

newspapers. And what's more, they were very, very serious allegations. They were linking it with drug dealing, et cetera.

5 So I just don't understand. If it was out there in the newspapers why the government wasn't saying "Hold on, what's happening here?"

MR COSTELLO: Now, in the course of your investigation, you didn't speak to current or past ministers, did you?

10 **MR WATSON:** If you're talking - no, I would say none. I just can't bring any to mind.

MR COSTELLO: Did you speak to current or past senior bureaucrats?

15 **MR WATSON:** Yes. Privately.

MR COSTELLO: You noted at 107 at the bottom of the screen there that the structure of your investigation and the limits of your powers meant there wasn't any particular way that you were able to engage with those people.

20 **MR WATSON:** That's exactly right. I've got no powers to compel. I can exercise but they're very limited and they wouldn't extend to this area, I can request the administrator to exercise some limited powers on my behalf but nothing like this.

25 **MR COSTELLO:** Yes.

MR WATSON: And in the very early days of the administration, I did sit down with the administrator. We drew up a potential regulation which would have given more extensive powers. I remember sitting in his room while we were going through it one
30 Friday. But the problem was the Ravbar proceedings came along and it was thought inappropriate to be asking, in effect, the government to extend powers - this is a federal regulation, of course - at a time when it might be that the whole of the system was constitutionally invalid.

35 **MR COSTELLO:** Yes. If we can go over the page, please. Commissioner, I'm sorry to do this, but for reasons that I'll explain when I come back, I need to seek a short adjournment.

40 **COMMISSIONER:** Very well.

<THE HEARING ADJOURNED AT 11.43 AM

<THE HEARING RESUMED AT 12.02 PM

45 **MR WATSON:** Commissioner, just before we resume, there's something I would like to say. It's actually really worrying me. I made a big mistake. When we had the adjournment then I just looked at my telephone and saw something about somebody

calling for the resignation or dismissal of Mark Irving. I just want to say I might have said some harsh things. They're my opinion and Mr Irving may have had another. I've worked for him for what is it two years now and I've never met a more honest and decent man. He is, I can tell you, in everything he did, opposed to corruption and in favour of fixing the CFMEU. What is more he has been very successful. I'm absolutely appalled and if anything I have said here today would seem to suggest that as an outcome, whoever is saying it should think again. They would be mad to get rid of Mark Irving. Thank you.

10 **COMMISSIONER:** Mr Costello.

MR COSTELLO: Thank you. I apologise for the interruption, Commissioner. There has been correspondence received, although on behalf of whom is quite unclear, on behalf of whom the correspondence has been sent is quite unclear, purporting to assert privilege claims in, if I might say, a fairly confused way. But because it dealt with questions of legal professional privilege, I considered that I needed to seek to understand it. It came in while I was on my feet before I continued my examination of Mr Watson because, as you well know, Commissioner, the view of all assisting you the legal professional privilege claims ought to be treated with the utmost seriousness. The solicitors assisting recall some correspondence seeking to issue - seeking clarification of various matters and if we need to deal with it later in the day, then we can do that or tomorrow.

But as things stand now, I'm satisfied that the matters that I'm going to continue to ask Mr Watson about are not matters that will be affected by the claim, if it's any good.

COMMISSIONER: Thank you.

MR COSTELLO: If I could have Watson 8 back on the screen, please. Now, Mr Watson, before the break, we were talking about the excised section on governmental inaction on the CFMEU and just to refresh your memory, you recall we were talking about your lack of practical ability to require senior Bureau of Statistics or senior government ministers to speak with you and the fact that the Ravbar proceedings had thwarted any idea of a regulation that might have given you broader powers than you had.

Notwithstanding that, you've spent a lot of time investigating various matters concerning the CFMEU and quite a lot of time considering the position in Victoria specifically, and you say at the top of the page that's on the screen now:

"There is an ability, however, to form a theory."

MR WATSON: Yes.

MR COSTELLO: You formed a theory about governmental inaction on the CFMEU and the consequences of that inaction.

MR WATSON: Yes.

MR COSTELLO: And could you outline that theory to the Commissioner, please.

5 **MR WATSON:** Well, the first thing is I dismiss out of hand the suggestion which
would be one floating around which would be some age-old connection between
Labor and the unions. As best I could tell, during a critical portion of the time and
the relations between the Labor Party in Victoria and the Labor Party I might say
10 around Australia and the CFMEU were strained. In fact, in Victoria, Mr Setka had
turned on the Labor Party with such vehemence that he was promoting candidates
against the Labor Party. That's not where the closest of the connection or the failure
to take action came from.

Now, again, this is my theory -

15

MR COSTELLO: Can I just pause you there for a moment before you launch into
the theory just to make sure I understand the point you have just made. I understand
that the whole of organisation level if you like, either the state Victorian ALP or the
ALP federally, what your evidence is that is the relationship between the CFMEU
20 and those entities was very strained. These are, of course, large entities. Do you have
any view about whether or not there were particular individuals that, notwithstanding
the strain at an organisational level, still maintained close connections with the
CFMEU or do you view it as a complete split between the two?

25 **MR WATSON:** Look, there might have been some individual politicians who owed
the CFMEU for their endorsement in the first place who might have had loyalties.
There might have been people friendly with Setka. For all I know, they could have
been themselves crooked. I mean, there could be something around that. I didn't find
30 any of that, but I wasn't looking for that. I wasn't looking at into corruption in the
Labor Party, I was looking into corruption in the CFMEU.

MR COSTELLO: Thank you. And now your theory?

35 **MR WATSON:** My theory is what happened here was, effectively, the CFMEU had
built up such a momentum of authority and power that everybody was scared of
them. And it was pretty plain that because they got rid of the AWU, the CFMEU
could just bring the Big Build to a halt. You would get nothing done. They could
stop the whole project.

40 Now, politicians - this isn't just the Labor Party, this is politicians of every stripe and
colour. They love cutting a ribbon on a big project and you know why they love
cutting a ribbon? It is because the day you cut the ribbon and the trains and new road
allows everybody to progress more quickly, everybody forgets about the cost. As
45 a schoolboy I was raised every day with everybody being concerned about the cost of
the Sydney Opera House. From the day the Queen opened it, it was never mentioned
again. That is just a big example of what is going on here. The government wanted to

get the projects finished. There's only way to get the projects finished and that was to keep the CFMEU on the site.

5 **MR COSTELLO:** That's a problem, ultimately, that's a manifestation of a problem that is commonly found where monopolies exist in industry.

10 **MR WATSON:** Exactly. I mean, you could say the same thing was happening in certain parts of the mining industry in Australia and governmental policy. It's a never-ending problem. But what happened here more specifically, it meant that the government was really beholden to the CFMEU. Unless they get the job finished we are stuck with half-built roads and half-built railway tracks.

15 **MR COSTELLO:** And so you considered that the government had become cowed by the industrial might of the CFMEU.

20 **MR WATSON:** Well there's got to be some explanation for why they weren't doing anything and that seemed to me to be the only reasonable explanation and it's true, I mean if you have a look through it, apart from some pretty lame generalised statements, the government didn't do a lot. No, I shouldn't say they didn't do a lot, I just couldn't see where the Victorian Government was doing anything effective to try and bring the CFMEU to heel.

25 **MR COSTELLO:** You're talking here of the period from at least 2010 through to the date of your report?

MR WATSON: Yeah. They really started getting the big power from the commencement of the Big Build around about 2014.

30 **MR COSTELLO:** When you say the government didn't do anything, you're not necessarily talking about appointment of an administrator to the union, are you?

35 **MR WATSON:** No. No, I mean there were other things which could have been done. I've got to say that there are other problems as well. It wasn't only with the government. Quite frankly, I still am dismayed by the lack of information by the Victorian AWU. They just gave way. I have got a theory about why they did that.

40 **MR COSTELLO:** Why the AWU - you consider that the CFMEU infiltration of projects that would formerly have been the preserve of the AWU was not fought by the AWU?

45 **MR WATSON:** That's correct. I tried also to speak to the peak's AWU and they didn't return my calls which I was troubled by. This is Victoria, because here in Queensland they were very, very, very helpful. And I just don't understand why they would have thought that I could conceivably be an enemy. But I couldn't get a return phone call. And I came up with a theory about that. I'll make it very brief. I just feel like they thought it was an occupational health and safety matter that they didn't want to send their organisers into battle with people who were violent.

I heard a story about one of the people who have been removed from the CFMEU applying for a position at the AWU and making the mistake of applying and being interviewed by somebody the CFMEU person had punched in the face. There was violence on these sites. And I just get the impression maybe they said "We can't put up with this any more." This is how far it was spinning out of control.

And so the Victorian Government was getting no support from what you would have thought was a competing union. The regulators weren't acting. Recently, there had been more power given to the authority which licences labour hire. Now you should ask me about that in due course because that's a real lesson to learn from Queensland and perhaps the government should have acted more quickly to give them more power but they weren't doing anything.

So it just seemed to me as though everybody was backing off from them.

MR COSTELLO: If we go to the bottom of that page, if we could have paragraph 113 which goes over the page brought up on the screen, please. If 113 could be exploded. Thank you. You give here an example which, in monetary terms is significant but within the scheme of it all a drop in the ocean of something that you were told in the course of your investigation. Could you just explain it, please?

MR WATSON: Well, the words are pretty clear. I was told by a person - I met this person a couple of times. I formed a very high opinion of them. And I've been tricked before but I felt I was being told the truth by somebody who was worried by the company contracts. And a person who is a senior bureaucrat suggested that the contract should be accepted which was \$70 million higher because it was the one which enjoyed CFMEU endorsement. That's one instance which was occurring on the Big Build.

MR COSTELLO: This is the price of buying the peace?

MR WATSON: Yep.

MR COSTELLO: Now, did you form any view or were you asked to form any views about what it is that government might have done to nip this in the bud earlier or stop the problem growing as it did?

MR WATSON: I guess with the shocking answer I should have done something. They weren't doing anything. They should have seen what was going wrong with labour hire and stepped in, and regulated that for more strictly. They should have stepped in with the police and got them to be more proactive. I'll just tell you what I found, in that respect, was that it seems to me as though the Victorian Police, up until recently - recently they are very active - but the Victorian Police for a long time were dormant on this and there's a tradition and there is a bit of this going on in Queensland, that the police regarded these as industrial issues to be fought out between bosses and unions or between unions and unions and that they wouldn't get involved. That was a problem in Victoria, the police allowed this to get out of hand

and there was nothing being done. Serious instances were not being investigated, much less prosecuted.

5 Now I want to qualify that by saying around about 12, 18 months ago that was changed entirely in Victoria by the appointment of a specialist taskforce, Taskforce Hawk. And those guys are really good, they are properly funded and they're active and they are doing something. Now meanwhile, the Federal Police for a long time did absolutely nothing and that's partly a jurisdictional problem.

10 I do know that the Federal Police have got a very good person in charge of it now. But, again, the Federal Police does not have the funding to devote people to this task which is principally a state-based task. So I think the Victorian Government was very weak on actual police action. When I said about the regulatory authorities dealing with the issue of labour hire, I could have given you other examples.

15 It seems to me as though the government needed to look, and I believe the Federal Government is looking at it, in terms of the EBA process, that there is something wrong when you can manipulate it so easily by having the EBA decision-makers being people who can potentially benefit from it. Now, I deal with that extensively in
20 the report and you are probably going to come back to it but I will just mention it now.

That may not have been a Victorian Government problem but they should have inserted themselves just to have a look at this at how it's going. They should have
25 been doing something. It just seems to me as though there was this kind of attitude of, oh well, it will work itself out in the wash.

MR COSTELLO: Commissioner, can I tender that document, please. It's a -

30 **COMMISSIONER:** How do I describe it?

MR COSTELLO: It marked up version of pages 16 to 18 of the draft Watson report.

35 **COMMISSIONER:** That will be - are there any objections? No. That will be exhibit GW15.

<EXHIBIT GW15 MARKED UP VERSION OF PAGE 16 TO 18 OF DRAFT WATSON REPORT

40 **MR COSTELLO:** Thank you.

MR WATSON: I've given you very vague answers there and excuse me because I would have thought and it was well-known I was doing this somebody would come
45 forward to me. Certainly some bureaucrats did but I didn't get a politician ringing me up and saying, "I will talk to you". I could have sat down with them and said: "What can you do? What is it that you think you need to do?" They could have said to me,

for example, "We can't exert that kind of pressure or control over the police." They might have had answers to what I was suggesting to them but I wasn't getting them, Mr Costello.

5 I was there and, don't worry, Mr Costello, I take all of these calls my personal mobile phone. The administration gave me a private phone so that I could segregate and stop people from calling me and I realised that was silly. They wanted to talk to me and I wanted to talk to them and I was willing to talk to them even if it was Mr Gatto calling.

10 **MR COSTELLO:** Now as we have discussed, these pages didn't make it into the Rotting from the Top version of the report. What did Mr Irving explain to you to be his reasons for wanting the paragraphs removed.

15 **MR WATSON:** I told you that before. In this respect, beyond the terms of reference and also speculative because I hadn't spoken to the people.

MR COSTELLO: I see. Did you try and insist that they remain?

20 **MR WATSON:** I was pretty wimpy on that. I asked why, and obviously it is speculative. They wouldn't talk to me. I wasn't talking to the right people.

MR COSTELLO: Did Mr Irving explain to you if he had a different view to the view expressed there or did it not get to that?

25 **MR WATSON:** Look, it would have been around about - I frankly regarded as less important than the money one and I may have capitulated a bit but on the third one, as I told you, I wouldn't let the report go out unless it was included.

30 **MR COSTELLO:** The third one of delegates.

MR WATSON: The appointment of the unnecessary delegates.

MR COSTELLO: And OH&S.

35 **MR WATSON:** Yes.

MR COSTELLO: That's the portion you described as the heart and lungs of the report.

40 **MR WATSON:** Yes, I regarded that as really critically important and I hope you will come to that -

MR COSTELLO: Yes.

45 **MR WATSON:** - because it's really quite important.

MR COSTELLO: I just want to understand what it was that was going on here when these changes to the report were being made. You had issued earlier your report into violence in the CFMEU in Queensland and that report had been made public.

5

MR WATSON: Yes.

MR COSTELLO: Now, when you prepared this report, were you preparing it on an express understanding or the assumption that this report, in some form, would become public.

10

MR WATSON: That's a very good question because that used to pass through my mind when I was writing it. I was thinking there were some parts of this which the administration couldn't publish because of the risks to people. That sort of thing and other reasons. And I was wondering how they would do it because I thought, well, they will probably publish part of it but it would be redacted by the way subsequently I thought I should have just said to Mr Irving that that's fine. I want those things left in the report but you can just redact them. I should have done that.

15

20 **MR COSTELLO:** I'm just trying to understand.

MR WATSON: There was no discussion as a preliminary. I thought they'd use it as they thought it should be used.

25 **MR COSTELLO:** I see.

MR WATSON: I can tell you the question is a beauty because it used to really worry my and I think I raised this with a couple of people at the administration, of this terrible fear that I've spent all these hours in this tiny room by myself tapping away at a laptop and that I was going to produce something and it would just sit on a shelf at the administration. I was worried it wouldn't be published at all.

30

MR COSTELLO: If this was a private report by you through the administrator for his use in his discharge of his various functions.

35

MR WATSON: That's a good way of describing it.

MR COSTELLO: Then there's no need for anything to be excised if he disagrees with something you've told him, he disagrees with it.

40

MR WATSON: I accept that.

MR COSTELLO: That is true?

45 **MR WATSON:** Yep.

MR COSTELLO: So when these excisions were being debated between you and Mr Irving, I'm just trying to understand if there's any clarity at that point of time why it was they were necessary. Was it because Mr Irving was contemplating make the report public or because Mr Irving knew that a summons had been issued by this
5 Commission calling for the report and he was concerned about the contain of the report that would be provided here?

MR WATSON: I don't think we had a explicit conversation about this. I told you it was on a Wednesday afternoon. I don't think - it wouldn't have gone 30 minutes.
10

MR COSTELLO: Had you gone through this process with substantial paragraphs being excised from your other reports?

MR WATSON: In, for example, the - sorry, the Queensland report and I know that the Commission knows this because you've got a copy of both, there was a - what I thought was a very, very good example of violence by the CFMEU which was taken out entirely but for a very good reason.
15

MR COSTELLO: Which was?
20

MR WATSON: It was the mining branch. Now, we're talking about the Construction and General Division.

MR COSTELLO: Yes.
25

MR WATSON: It was the miners and it was about Oakey Creek, the reason I included it was because Jade Ingham at the events at Oakey Creek as were a couple of the other organisers from the C and G division, Construction and General Division, so I included it because the behaviour at Oakey Creek was absolutely
30 appalling. It was the worst example in the whole of the Queensland report. So there was quite a bit of debate in the administration about whether that should be in there at all because it was the mining division.

MR COSTELLO: And so save for that example are there other examples you can call to mind where substantial parts of your report were removed they were disagreed with by somebody within the CFMEU?
35

MR WATSON: Yes but I've got to say I can't bring to mind what they were which shows you that they were either unimportant or as happened several times they corrected me on the facts. For example, you get your head around the structure of the Queensland CFMEU where there are three organisations, in effect. And so
40 occasionally I'd get things back saying is that right, is that how the rules work? And there's also the interpretation questions under the rules.

MR COSTELLO: Sure, that's rather different to a wholesale excision.
45

MR WATSON: Yeah, I've told you about the wholesale excision but there were other things which were taken out and corrected and the like. But I don't anything was important in that respect. I remember, for example, the other reports, which are published. The one on Faruk Orman, for example, I remember Mr Irving coming
5 back and saying I really want a chronology with it so we prepared a chronology. I mean, that sort of thing happened. You've got to remember that this was a cooperative, collaborative process and I can't remember anything else which worried me.

10 **MR COSTELLO:** You considered it your report? It was your report to Mr Irving.

MR WATSON: It was my report to Mr Irving.

15 **MR COSTELLO:** It wasn't Mr Irving's report.

MR WATSON: But it was, once I did that - look, it's technically quite difficult. I am an investigator. I happen to be a lawyer but a legal qualification isn't essential and there are probably people with better qualifications who could have done a better job than me. But I saw myself as an investigator who was then providing a report to
20 a person was, if you want to talk about it in administrative law structure. The decision-maker - I was not the decision-maker. I could report on facts.

On the earlier occasion, you asked me a question which had within the question the idea that I was making findings and I don't know whether I corrected it at the time,
25 but I don't really make findings. I'm just reporting. I've spoken to these people. Occasionally I say I think this is accurate, or I say somebody else said this was wrong. I mean, I've always included as is in the Queensland and the Victorian report where somebody came forward and said, "Well you say that but you're wrong, one person was adversely affected."
30

MR COSTELLO: In fairness to Mr Irving it might have been his view that your role as a investigator limited you to reporting on facts found as opposed to offering opinions?

35 **MR WATSON:** I agree with you. And that's another reason why to blame this on Mr Irving and the way that newspaper article records, has been blamed on Mr Irving, is hogwash. He's got his own reasons for doing this and he's running a very, very difficult, large union. Just bear in mind not limited to Victoria, not limited to Queensland but Australia-wide. So your quite right. He could have said to himself
40 well, look, I don't care what Watson thinks about this.

MR COSTELLO: Now, when you were last -

45 **MR WATSON:** That didn't stop me being arrogant and petulant about it.

MR COSTELLO: When you were last here, you offered what I described today as your thesis about the Victorian model being exported into Queensland and you are

aware, I assume, that Mr Irving, when he gave evidence, disagreed with that thesis to some extent.

MR WATSON: Yes.

5

MR COSTELLO: Are you aware of that?

MR WATSON: I've got to get to the airport, I had to go to Melbourne the next day and we actually spoke, he spoke to me from Brisbane airport when I was at
10 Melbourne Airport going back to Sydney. So he rang me to tell me that he had disagreed with me.

MR COSTELLO: The fact of that disagreement was something discussed in the course of what I might call the settling of this report?

15

MR WATSON: No, not at all.

MR COSTELLO: Okay. But it is the case, to be clear, that when you issued the Something Must Change report to Mr Irving in late 2025, at that point in time you weren't sure in the document would be made public?

20

MR WATSON: Correct. Or in what form it would have been made public.

MR COSTELLO: In what form if it was. In January 2026 when you and Mr Irving discussed the report and he required you to make changes to it, you did not know the extent to which it would be made public but you knew that it would be provided to this Commission? That much was known.

25

MR WATSON: I remember Mr Irving and I had a chat about it, and we agreed we were describing it as a catalogue of ills. That was - it was like a collection of information which could be used within the CFMEU and I can tell you after the conversation that we had, I again went away and thought. "Golly, I hope this doesn't end up sitting collecting dust on the shelf."

30

MR COSTELLO: But you knew it was coming to this Commission when you were debating it with Mr Irving for reasons including the fact the summons had issued to you earlier.

35

MR WATSON: I had received a summons myself.

40

MR COSTELLO: And the settling of this report then on or about 22 January 2026 was a settling under time pressure because of the necessity to get the document to this Commission in compliance with the notice?

MR WATSON: Plenty of time pressure.

45

MR COSTELLO: But save for the fact that it was coming to this Commission you didn't know if it was ever going to see the light of day beyond it being received by this Commission. That was something you were unsure about?

5 **MR WATSON:** Yes.

MR COSTELLO: And, of course, you didn't know whether this Commission would make it public and if so in what form, although you might have formed a view of the likelihood?

10

MR WATSON: I - well, I'll tell you what I was thinking. I was hoping this Commission would make it public because, again this is just pure arrogance, what I feel is a valuable document and I was hoping it would become public. So that's what I was hoping. I wasn't sure of it, and I still wasn't sure how much of it, and I can tell you I wasn't sure how much active was, until I saw what you put in because not all the redactions were made or suggested by me.

15

MR COSTELLO: Yes. But to be clear, if you had had your way, the section on cost to Victorian taxpayers would have remained in. The section on governmental inaction would have remained in. But you considered the draft improved in a delegate section by reason of Mr Irving's explanation of various matters to you?

20

MR WATSON: Correct.

25 **MR COSTELLO:** Could I have Watson 4 on the screen, please. I've now dealt, Mr Watson with the three major changes you identified as being made between the Something Must Change report and the Rotting from the Top report. It's just one other -I just want to understand the nature of the changes more generally. Of you have given some evidence about it already. On the page on the screen is from the introduction and, again, it's a comparison document that shows changes between the original draft and the final?

30

MR WATSON: I don't know what this document is. Please be careful before using it unless it's got the redactions in it -

35

MR COSTELLO: It's only two pages.

MR WATSON: - because I am absolutely petrified by the unredacted document.

40 **MR COSTELLO:** I understand that.

MR WATSON: I'm letting the Commission know that because I have been -

MR COSTELLO: You will see there is a redaction on the page.

45

MR WATSON: All right good.

MR COSTELLO: I'm only going to show you two pages. I can't tender the whole thing.

MR WATSON: Yes.

5

MR COSTELLO: I can't tender it in a comparison form or in the actual form that you provided to Mr Irving because of the redaction.

MR WATSON: So it is clear, that redaction which features on that page, that was put in by me in the original document. There was something in there which I regarded personally as so offensive I could not bear to have it go out with my name on the document.

MR COSTELLO: Yes, I'm aware of that.

15

MR WATSON: And if you look at the rest of it, of what I've put in there, you can imagine it must have been pretty bad.

MR COSTELLO: Now - yeah. So we can see there at the top, these are editing changes that you made in your redrafting day seeking to improve the writing. Is that right or are these changes made by somebody else?

20

MR WATSON: I think - I think there are a few different ones, can I just say at the moment, I think they're being ones made by me to improve the writing but I think all of those, I would say. See, some of the tenses are wrong.

25

MR COSTELLO: Yes.

MR WATSON: One of the points that I do remember when I spoke to Mr Irving and that conversation we talked about, was, and I think I made this point earlier to them, it needs a final rinse because the tenses were wrong and you can see them being corrected there. But if you keep going down, yes, they're just things where I'm improving it.

30

MR COSTELLO: All right. Now, can we go down to the bottom of that page and could you just blow up that last paragraph, the blue and the red, please. Now the blue goes over the page, Mr Watson but I'll just blow up this section for now. You can see here there's a deletion of what was 6 and the insertion of a new one.

35

MR WATSON: Yes.

40

MR COSTELLO: The deleted paragraph said:

"And yet even today there remains a substantial number of CFMEU organisers and delegates who want to see this man returned as their leader."

45

The man being referred to is Mr Setka.

MR WATSON: Yes, I can explain this.

5 **MR COSTELLO:** Yes, and before you do, the replaced paragraph commences:

"At least this is a report as to what went wrong in the CFMEU during the Setka era. That started around the time of Mr Setka's election in 2012, it ended -"

10

And then if we go over the page.

15 "It ended on 23 August 2024 on the appointment of the administrator. As a result of the administration those who are identified in this report, the leaders of the CFMEU were removed from office over the life of the administration their influence over the branch has slowly waned in the case of many of the formers leaders being completely extinguished."

20 **MR WATSON:** Yep, that was suggested by the administration. I didn't discuss it with Mr Irving but it was in my report in some fashion. I changed some of the words because it had to be written closer to my style. But the reason why the paragraph went out, the point about this discussion is this: As you know, I finished that draft report on 29 November 2025.

25 **MR COSTELLO:** Yes.

MR WATSON: After that, there were a whole range of organisers who were, in effect, forced out.

30 **MR COSTELLO:** Yes.

35 **MR WATSON:** Through - hey, he's a redundancy or you're going to be sacked. And so they were taking redundancies. So that's why the old paragraph 6 actually wasn't accurate at the time the report was going to be published. A lot had happened between 29 November and 21 January.

40 **MR COSTELLO:** So to make sure that I understand that, is it your evidence that between you providing the draft report to the administrator - well, actually, I withdraw that. Let me ask you this question first. When you provided this report to Mr Irving, did you consider it to be a draft?

MR WATSON: Yeah, I said, tenses have to be changed and also there was some factual matters but that's always the way.

45 **MR COSTELLO:** Yes.

MR WATSON: That's always the way, always accepted there were going to be typos found.

MR COSTELLO: It needed to be polished.

5

MR WATSON: It needed to be just finalised.

MR COSTELLO: It wasn't for negotiation, it was this is the report but I need to polish it.

10

MR WATSON: It was likely reference in the Queensland report to Oakey Creek.

MR COSTELLO: Yes.

MR WATSON: I didn't regard that as a matter of just polishing. That was a major matter where there was a debate. I was saying, "No, this is a really good graphic example" they're saying yeah but in effect -

MR COSTELLO: Wrong.

20

MR WATSON: - of the wrong union because it was the other division. I don't regard as just polishing. That's really critical stuff and I was always open to discuss that kind of thing about this.

MR COSTELLO: Yes and so what had changed that required a change to paragraph 6 is that the administrator's program of redundancies had meant you thought that it was no longer right to say there remains a substantial number of CFMEU organisers and delegates who want to see Mr Setka returned. It was right at the time you wrote it but by the time with the effluxion of time since then matters had moved on.

30

MR WATSON: Exactly.

MR COSTELLO: So the new paragraphs 6, 7 and 8 that are all there, is that your writing or is there someone else.

35

MR WATSON: A bit of me, a bit of them.

MR COSTELLO: When you say "them", you don't mean, I take it, Mr Irving personally there were others within the CFMEU organisation that were looking at this as well, were there.

40

MR WATSON: I wouldn't have the foggiest. I can tell you, I don't know how many hands were on it at the administration but I was dealing with Mr Irving.

45

MR COSTELLO: I see. And so, for example, in 7 there where - it says:

"Since August 2024 over 50 per cent of the employees of the Victorian branch have ended their employment with the union or have it ended for them."

5 That was something you were told by either it being written in the document and you were told over the phone and you wrote it in but either way you found out about that from Mr Irving.

10 **MR WATSON:** Exactly. And if you're wondering about the mystery of the dates, the point was made to me that when the first version of Rotting from the Top which you have noticed was dated 29 November, it was pointed out to me that that date would have to be changed because in its final form it included information which wasn't available on 29 November in that paragraph 7.

15 **MR COSTELLO:** It was your opinion in January of this year that there is no prospect of Mr Setka's control of the union being resurrected?

20 **MR WATSON:** Not Setka. Look, can I tell you something. Things happen even after this has come through and I've had some fellows who are very close to the union who are union members themselves, of course I can't name. But they've told me things of meetings they've been at and it did send a chill down my spine about it. I've heard stories that some of the people who took redundancies walked out of the CFMEU offices and went to some of the employers and said, "I want a job as a delegate." Now, the redundancy payments were not ungenerous and I have always considered that was appropriate because it is, after all a trade union.

25 And redundancy payments are generous because it's feared that the person will lose money because they're unemployed. They were employed almost immediately as delegates. Delegates earn more than organisers. So in answer to your question, when I signed off on this report, I thought that was accurate. I still think it's accurate in respect of Setka himself. I think it's gone but I'm not sure that all of the of the manage ignorant influences within that union have been removed just by the redundancy process.

30 **MR COSTELLO:** I see. So based on -

35 **MR WATSON:** By the way, I'm a million miles away from this. I'm getting calls, and let me just tell you it's no fun at all because these guys are accustomed to getting up in 5 o'clock in the morning. I often get woken up by some maniac calling me at 6 o'clock.

40 **MR COSTELLO:** There's probably a way of dealing with that but I'll leave it to you to manage. Does that mean that although what you've said about Mr Setka remains your view in terms of people that might have been more broadly supportive of him, you might now qualify the second sentence in that paragraph 8?

45 **MR WATSON:** Yes, I would but that's all post this all being finalised and sent to you. In fact, it's the last fortnight.

MR COSTELLO: I see. So, as you sit there now, based on further information that you have received, you think that there is still work to be done and there is a risk that at some point in time, these elements could reinfiltate the CFMEU.

5 **MR WATSON:** By the way I've been communicating that to a really good person in the administration. When I get this information, I relay it.

MR COSTELLO: Commissioner, is that a convenient time?

10 **COMMISSIONER:** Yes. Thank you, Mr Costello. We will adjourn until 2 pm.

<THE HEARING ADJOURNED AT 12.45 PM

<THE HEARING RESUMED AT 2.00 PM

15

COMMISSIONER: Mr Costello.

MR COSTELLO: Thank you, Commissioner. Could I have Watson 4 back on the screen, please. And if we go to the second page of the document, could the struck through paragraph 11 be enlarged. I just want to cover off on the last part of this - these two pages, Mr Watson. You will see there, there is a paragraph that was formerly 11 that's been struck through and does not find its way into the Rotting from the Top report.

25 **MR WATSON:** Yes.

MR COSTELLO: Is the reason for this deletion the same as the reason for the deletion in relation to paragraph 6, that is changes within the CFMEU by reason of redundancies had affected the position or is there a different reason for this paragraph being deleted.

MR WATSON: They're the same reasons. It was really because things had changed in the meanwhile. In any event, that may have been a paragraph which was in a very early draft and what probably wasn't accurate by the time I sent it as a draft on 29 November. Things had changed fairly dramatically in Victoria by then.

MR COSTELLO: So at 29 November, although you had included in your report the line:

40 "There is presently no sign that things will improve."

On reflection, you think that might have been wrong even then.

45 **MR WATSON:** I think that's right. I could have written that paragraph very early days in the middle of 2025.

MR COSTELLO: The paragraph immediately beneath that one was just one sentence. It said:

"The Victorian branch remains intractably corrupt."

5

MR WATSON: Yes.

MR COSTELLO: Was that your view at the end of November last year?

10 **MR WATSON:** No.

MR COSTELLO: It was your view at an earlier point in time.

15 **MR WATSON:** It was at an earlier point in time. I just had a look at it. The Queensland report is dated 17 June and as I said it was about a month after that that I started writing. And one of the ways I write is by get things down on paper and then changing it as I go through, it's an iterative process, is a way of putting it. And that wouldn't have been accurate even at the time of the 29th. And that's the sort of thing which I would expect to be pulled up, picked up and corrected through what
20 I've been calling the final rinse.

MR COSTELLO: It was your view, when you first commenced your investigation of the Victorian division, that the Victorian branch was intractably corrupt.

25 **MR WATSON:** Oh yeah.

MR COSTELLO: It was also your view that, at the time you commenced your investigation at least, that corrupt practices were continuing?

30 **MR WATSON:** Look, I was really troubled by some things that were going on even up until November that I thought meant that reform wasn't having a positive effect. When I heard that, in effect, John Perkovic and Steve Long had been appointed two and three in the union, they were appointed by Zach Smith not by the administration, I nearly swooned because they were in my sights as people who should been got rid
35 of immediately.

MR COSTELLO: Did you have that view.

40 **MR WATSON:** It's in the report. I mean, everybody I spoke to would tell you of John Perkovic, he takes his money from A, B, C, D and E. You hear that and you try and unpick it, it's a very difficult thing to do. Some people here would have better experience than me. If you are conducting a corruption inquiry without compulsive powers, you can't get people to talk to you because nobody has got an interest that they're a party to a corrupt transaction. We were able to unpick some of these and
45 there's quite a extensive section on John Perkovic and his properties and cars which we were able to nail down. But you hear these stories and you hear them repeatedly and then you go and try and work through backwards to try and prove it.

MR COSTELLO: Was it your view that the resistance to authority and resistance to change continued even after the High Court handed down its judgment in Mr Ravbar's proceeding?

5 **MR WATSON:** I think it's around about the time of the Ravbar decision that things did start to change.

MR COSTELLO: And -

10 **MR WATSON:** You see, look, there's another thing: I think I made this point in the report. The effect of the Ravbar proceedings in the High Court was very, very, very destructive for the administration because a lot of people who were in there who were decent people who were capable of coming around and working honestly also
15 knew if the High Court decision went in favour of Mr Ravbar, next thing you know, they're all back and they'd be seen to be on the wrong side of the record. So they were just not wanting to be seen as cooperative. So that really hung over the administration have very badly. It also adversely affected my investigation but that's small beer.

20 The delivery of the Ravbar decision cleared a lot of things up and made some - made change available.

MR COSTELLO: You came to be of the view that the only thing that could clean up the union was regime change?

25 **MR WATSON:** Oh yeah. Well, I think there were corrupt individuals who had installed corrupt structures and you get rid of the individuals, you get rid of the structures. In some ways, you start again. Now, that's much easier to say than to implement. I think on the earlier occasion I said to you the choices facing the
30 administration weren't as simple as the sort of things which I could clear from my study and laptop. They actually had to keep a union running which actually had to do things, like for example, negotiate knew EBAs, for example police the employers, not all of whom are good people, are actually making their contributions to Cbus, et cetera, et cetera, et cetera. You have got to keep a structure in place so it's easy for
35 me to say regime change, I firmly believe it's the only way to achieve this but implementing it takes a few more steps than merely saying it.

MR COSTELLO: Commissioner, I tender that document.

40 **COMMISSIONER:** How should we describe it.

MR COSTELLO: It's a marked up version of paragraphs 1 to 13 of the final Watson report and it's undated.

45 **COMMISSIONER:** I take it there's no objections? Is that GW.

MR COSTELLO: 16.

COMMISSIONER: 16 thank you.

EXHIBIT GW16.

5 **MR COSTELLO:** That document can come down, thank you. I want to get some understanding of the magnitude of the task of your investigation. You've mentioned a few times that the writing of it was done in your study. You travelled to Victoria a number of times, no doubt, to interview various people (crosstalk)

10 **MR WATSON:** I went to Victoria so often. It was driving me mad because I also had my teaching commitments at the time and the way that the University of New South Wales splits the teaching days, I was leaving the university at 5 o'clock to go out to the airport, in Melbourne for two days, and then flying back to teach the early morning class. I had a 9 am class on a Thursday and quite often I would leave again
15 at 5 pm and fly back to Melbourne for the Friday. Sorry, people of Melbourne. I've always enjoyed that city but this has wrecked it for me.

MR COSTELLO: And over what time period were you doing this work, the interviewing portion of the work?

20 **MR WATSON:** Well it started really when I first came into it whenever that was that Josh Bornstein rang me, because a lot of those interviews still remained available to me as we went through. So it went over, well, however long that was, two years.

25 **MR COSTELLO:** All right. And you were drafting this report all the way through, were you?

MR WATSON: All the way through.

30 **MR COSTELLO:** Iterative method.

MR WATSON: My method is, and I think you may have seen them here, is that I've got books but I take handwritten notes some of which are quite brief because quite
35 often I would go back in and type up the results of the things that evening or the next day, because, well, you get to a certain age and you want things to be as fresh as possible in your mind. So it was done like that and the report was prepared along the way. Writing a report like this is extremely difficult if you wish to make it readable. If you just want to regurgitate a whole lot of information, that's easy.

40 **MR COSTELLO:** You had some understanding of the difficulties the CFMEU in Victoria was facing before you took on this assignment.

MR WATSON: You mean with Josh Bornstein rang me. When Josh rang me I said
45 I couldn't do it because I was actually on the 60 Minutes episode. But I didn't - I was finding out about it, like the rest of Australia, through the reporting on 60 Minutes and in The Age so I knew that about it. Even when I was on 60 minister I was not

allowed to know anything outside the silo within which I was offering opinion. I said to Bornstein that "I don't think I can do this." I was on the 60 Minutes episode, he said, "No, that makes you better qualified." Because they were very anxious to get somebody who would be regarded as independent.

5

MR COSTELLO: So you had some understanding by reason of 60 Minutes and perhaps press reporting before then. Then you came to commence your investigation, the investigation was ongoing. By the end, you had formed the views that you recorded in your report. We will go to specific aspects of the report in a moment but in general terms, to explain, in a nutshell, your thinking: How bad did things get in Victoria?

MR WATSON: Oh my God, it's out of control. In this report, and I guess this is been building up in me now for this lengthy period of time that I've been involved in it, that I am really sorry to have to say this but the CFMEU under John Setka, the Victorian CFMEU, is a crime organisation. I do not see Queensland as being anything like as bad. But down in Victoria it was completely out of control.

You've got to ask me in due course about how it came to pass that three men who were involved in extremely violent episode on behalf of the Hells Angels were picked up one, two and three and each made either a site delegate or a health and safety representative all within a period of about a month. Obviously favours are being done. You only do favours for money, if you're done there. The only other reasonable explanation is that there was a threat. Either way, crime was entering by the time I finished this report. I just see it as being the Victorian CFMEU under John Setka was a crime organisation.

MR COSTELLO: In that regard, there were attempts to interfere with your investigation?

30

MR WATSON: Oh yeah.

MR COSTELLO: Threats were made?

MR WATSON: Well, yes. Yes.

MR COSTELLO: You say at paragraph 25 of your report that the persistent threat of violence hampered the conduct of the investigation.

MR WATSON: Oh absolutely, because not just from what I was doing asking questions. As you know, Mr Irving was subjected - I know quite a bit about that and I can tell you it's credible. Nick McKenzie was subjected to those threats. One thing I was told by a group of the inner circle of the CFMEU when I was doing the work for Maurice Blackburn before the administration, that's it, you cannot talk to outsiders because we are getting threats. Now who were they getting it from? They wouldn't tell me. They wouldn't tell me.

45

Now, unless they were lying to me and, by the way, that's a real chance, they're getting external threats. Where is it coming from, it's going to be organised crime or bikies. Now John Setka himself, I think he is currently on a PTSD claim, which he attributes to threats or at least in part to threats he received from bikies. Well, where is that coming from? What did he do which made him susceptible to threats from bikies. There's violence all over the place. If you think that is bad, the people who were talking to me were terrified and they had reason to be terrified and I know a lot more about that which I cannot go into because it would have the potential to identify the people.

MR COSTELLO: You are aware that the administrator has, from time to time, had threats made to him?

MR WATSON: The administrator himself.

MR COSTELLO: That's a matter of which you were aware.

MR WATSON: Death threats. Not - these aren't these sort of lame things. I can't go into that, there's operational details that shouldn't be revealed. I'm telling you credible assassination threats.

MR COSTELLO: And what was the effect of -

MR WATSON: By the way, he just kept at work. I mean, sure, some security which was put in place. He didn't let it deter him. McKenzie has never been deterred. They went on.

MR COSTELLO: And so by reason of those types of threats in the course of your investigation, there were matters that you just couldn't get into; is that right?

MR WATSON: I think I gave the example in there of particular informants who told me something which is dynamite. I went, flew down to Melbourne just to meet them. And when I got there, they told me, "We can't do it." It's - it's scary. There are things set on fire. There are people who are hurt.

MR COSTELLO: Could -

MR WATSON: Does it sound like I'm being a bit overdramatic, I was going down there and I was seeing the effect this was having on people, that's all.

MR COSTELLO: Could I have GW13 which is the document formerly known as Watson 3, on the screen, please. This is running from the top. How quickly into your investigation was the significance of the Big Build made apparent to you?

MR WATSON: I think I described it as a spinal column before. That's it; everything came from that. Too much money. Too much power. They pushed the AWU off by that stage or that was part of the reason they pushed the AWU off. It all came from

the Big Build. There was more money sloshing around than you can imagine. I think on the last occasion I explained this. There is a differential between civil work and construction work. The labourers on construction work always got more than the civil work. The major reason why is civil work was always relatively poorly paid. It's
5 mainly done by local government and the funds are always tight, the budgets were always mean and the pay was not as good.

But when the Victorian Government stepped in and starts underwriting. It's like somebody has opened it up to this kind of abuse. I'm not saying that was a flaw on
10 the part of the government. It was their work, it was just surely a function that there was more money around.

MR COSTELLO: Let me show you a paragraph of your report in that connection. If we go to page 6 and if paragraphs 41 and 42 could be enlarged.
15

MR WATSON: Oh yep. I still remember this conversation because the person was so impressive. This was a very neutral person. Go on.

MR COSTELLO: Did you say neutral?
20

MR WATSON: Neutral. They were not - this is not an anti-union person. It was somebody who was really experienced and really interested in the sector.

MR COSTELLO: And the quote here is a quote given to you in the course of your
25 interview with this person.

MR WATSON: Yeah, I thought it was so good I wrote it down.

MR COSTELLO: And this person said:
30

"It was a perfect storm all of a sudden there was too much government money and too many really big jobs. There was a shortage of labour and the CFMEU had all the negotiating power and from that, too much power generally."

35 You described that as:

"An insightful observation, the big money generated by the Big Build was at the root of the problem in Victoria, the temptation created by the big money proved too
40 great."

MR WATSON: I stand by that.

MR COSTELLO: So in your view, if there wasn't a very, very large scale public works infrastructure program things continued have got to the point they got to.
45

MR WATSON: I think that's probably right. I'm not saying they would have got pretty bad anyway, even if there had been no civil work, even if the AWU remained on civil sites. There was still problems on construction sites.

5 **MR COSTELLO:** In your report, perhaps if -

MR WATSON: People reading the report might want to know this. I'm pretty particular about dividing up between the work by describing it generally as building work, which includes both civil and construction, or civil when it's civil work or
10 construction when it's not, and I've just noticed in paragraph 41 that I've blown it by using the word "construction" when I should have said "building". This is a person who was actually in building sector, that is both civil and construction.

MR COSTELLO: I see. If we could just go to the second page of the report, not
15 numbered 2 but the second page in the PDF. This is the table of contents, at least the first page of it, Mr Watson, I just want to outline the method of your report and then we are going to dip into particular areas of it. But after your introduction, you then have a factor entitled Power and Corruption, then Violence, Threats and Extortion, Systemic Corruption, Ad Hoc Corruption; how does that differ from the systemic
20 corruption.

MR WATSON: I explain that in the report, what I'm saying is some things were organised, they were seen, they were manipulated. For example, the way you could
25 manipulate EBAs, whereas ad hoc corruption is the sort of thing where you're walking along and somebody offers you money or that sort of thing and you take it where you just see an opportunity and you accede to it. Now, ad hoc corruption is, generally speaking, on a smaller scale, and less important than systemic corruption but nevertheless, it's when you're corrupted through perhaps just the offer of money and you take it, that you move on to systemic. I saw them as being quite different
30 and I thought it was important to report on them separately.

MR COSTELLO: You then deal with outlaw motorcycle gangs.

MR WATSON: Well that's obviously crucially important.
35

MR COSTELLO: We will come back to that. Enterprise bargaining agreements and then over the page, labour hire has its own topic.

MR WATSON: Yep. I've said in the systemic corruption part parts which include
40 the enterprise bargaining agreements and part of it which is labour hire. This is so important that they need their own chapters because they are big issues.

MR COSTELLO: And then organised crime, which is different from outlaw
45 motorcycle gangs.

MR WATSON: Yes, although they're related.

MR COSTELLO: And then you've got 18 case studies.

MR WATSON: Yes.

5 **MR COSTELLO:** And these 18 case studies, is that sort of the totality of case studies that you could have provided or have you (crosstalk)

10 **MR WATSON:** No, no, no. I could have been writing this report well into my dotage, maybe I'm already there, so I'll reframe that, I could have been writing this report for another decade. That's why - one of the reasons I like the deadline. But also there comes a time when you say enough is enough. If this report doesn't establish the point I'm trying to make, then nothing will.

15 **MR COSTELLO:** These case studies were selected. Why? Because they were descriptive of particular issues that you have written about earlier in the report?

MR WATSON: Yeah and they were interesting. I want people to read the report.

20 **MR COSTELLO:** Well that's part of the reason I ask you this, and it goes back to a question I was asking you earlier. It seems to me based on a number of things you've said today and based on a reading of the report that you were not writing this for an audience of one, being Mr Irving.

25 **MR WATSON:** Absolutely not. Notionally, I was. I was giving the report to Mr Irving.

30 **MR COSTELLO:** You seem to be working on an assumption, tacit or otherwise, that this was going to have a broader readership and probably broader than the staff within the head office of the CFMEU.

35 **MR WATSON:** That was my hope. See, for example, I wrote a report for the New South Wales branch in the middle of this year, about September, which I think is absolutely dynamite but it's never been published and not published for good reasons. There's a larger inquiry going on around it. But I hope one day that comes out because there's a lot of blood, sweat, tears and toil in this and you might say that it was an assumption by me. I'm going to say it was just a hope.

40 **MR COSTELLO:** Well, it might have been more than a hope. Given what had happened with the Queensland report.

MR WATSON: Yeah. Sorry, and also I had other ones published there's the one in Faruk Orman and the interim report. So there'd been a few floating around. Greenfield's legal fees. So I did know that they were inclined to report on them.

45 **MR COSTELLO:** But you don't have any recollection of discussing that with Mr Irving in January of this year? All right.

MR WATSON: I didn't answer for the transcript, I'll say, look, no. Discussing what? Whether it would be reported?

MR COSTELLO: Yes, whether he had an intention to release it.

5

MR WATSON: I don't think we got to that. I think it might have been implicit at the time that we were doing it that it was thought it would be released but I always write with that in mind. No matter what. If only because, again, I've said before, it's a degree of arrogance but you are either proud of your work or don't bother do it. I was trying to produce something that was usable.

10

MR COSTELLO: All right.

COMMISSIONER: Could I just ask a question about ad hoc corruption and systemic corruption. When I read your report, Mr Watson, in my mind, I thought ad hoc corruption might be, in your mind, small-scale corruption, payments in cash and kind, that are hard to trace, whereas a systemic corruption was payments of much larger amounts, perhaps tens, hundreds of millions of dollars through what appears to be legitimate means that is by invoices, GST payable. And in my mind, reading the report that's what I had the distinction. Am I reading too much into it? Is that a fair distinction.

15

20

MR WATSON: You are 98 per cent correct. I do make the point that, generally speaking, the ad hoc corruption is on a lower scale but then I've included the stories about the ad hoc corruption which came through a particular organiser who was favouring a building company and a plastering company, that sort of thing who effectively had a property built for him. And that's in the case studies, it's, I think, called John Perkovic's Properties.

25

And - so that's pretty cracker money. In the ad hoc corruption and again it involves Mr Perkovic, I'm sorry he is getting so much attention, but there you are. He had cars. Now, I think I have, in the report, again tried to use conservative valuations on the car, I tried to look up what a GT Falcon might sell for and it's well over \$100,000 and I tried to look up what the particular car that his wife drove and it looks like it was more likely, I think I said in the order of 100,000. I think it's a \$150,000 car. So that to me is a lot of money but it's still in the ad hoc bucket.

30

MR COSTELLO: All right. Well, I want to deal with each of the areas of your report but in the time available left today, I'll just deal with a couple and while we are on ad hoc corruption -

40

COMMISSIONER: Don't let me get you off.

MR COSTELLO: No it's completely fine, Commissioner. If we could go to numbered page 40, please. So one example of ad hoc corruption and an easy one is bribery -

45

MR WATSON: Sure. That's the perfect example.

MR COSTELLO: A quintessential example of corruption.

5 **MR WATSON:** Bear in mind that can also be a lot of money, too. But these things
are as simple as this: I was given accounts which I could never get to the other side
of the story. Of particular organisers who would go around and collect envelopes
from contractors. I was given a story from a very good source that they were aware
10 of a particular contractor who said, "That's it. I'm not doing this any more. It's not
worthwhile because I only make, and it was a few thousands a week for running this
business. And I'm giving, naming the organiser, I'm giving him \$2,000 a week. I'm
not going to run the business to pay him."

I'm choosing at the moment not to name the organiser because I couldn't get to the
15 second half of the story. It's incredibly rare to be able to get an account of bribery.
I've got one in there but it's been redacted.

MR COSTELLO: You faced formal obstacles by own of your lack of compulsive
20 powers with those sorts things and even with compulsive powers they're difficult but
did you form a view about how common bribery was within the union. Did you have
a number of different people saying similar things that allowed you to form a view?

MR WATSON: It's incredibly common. It's very, very, very common amongst its
25 organisers who would be going around, the contractors were terrified. You've got to
say on the right side of this organiser so you've got to grease the palm with a few
thousand dollars on a regular basis. I think it's incredibly common. I got a fantastic
account which was perfectly reliable, for example, that somebody - this wasn't an
organiser this is a member of the executive just went to a contractor and said his son
30 was turning 18 so he wanted the contractor to organise a night out at a strip club and
a couple of stretch limos for the son and his mates for the 18th birthday.

Putting aside all the questions of taste which underpin that, that sort of thing is just
something I heard all the time. And contractors felt like you can't say no.

35 **MR COSTELLO:** Did you form any view about whether the demanding and taking
of -

MR WATSON: Sorry, and by the way, this is nothing new and it's not only CFMEU
40 and it's a lot to do with the builders. So let's get it straight. This is all reflecting badly
on the CFMEU. The builders do it to buy their way in. Then on the other side of the
transaction, you get a weak need person who will take the favours it has been going
on in the building industry since Fred Flintstone and Barney Rubble.

MR COSTELLO: But you consider it became even more common in Victoria
45 during what you might call the Setka period of the CFMEU.

MR WATSON: Yeah, it's hard to put a number on this, I've spoken to old timers who would laugh and say what would happen is you would slip five dollars on the dogman so your lift would be taken early in a shift and that's in the 1970s and 80s. So it's been going on forever. So I'm saying that it's here and that it was going on and I heard credible accounts of it time and time and time again.

MR COSTELLO: Ad hoc corruption is not in your definition of it limited to bribery though.

10 **MR WATSON:** No, no.

MR COSTELLO: Now, one of the -

15 **MR WATSON:** It's very notorious in the building industry, for example, that people in unions will have building work done at their home -

MR COSTELLO: Yes.

20 **MR WATSON:** - for free or for cheap or get materials delivered for free or for cheap and I include one very vivid example of that. You will see Mr Setka may have been the beneficiary of something coming from a building site. Used to be quite a scam but if there's a dozen apartments in a building, 13 kitchens would be ordered and one would be given to somebody who arranged the contract. It's been going on forever, Mr Costello, and it was going on here.

25 **MR COSTELLO:** You give an example of at least allegations of something of that nature in connection with Mr Christopher.

30 **MR WATSON:** Exactly.

MR COSTELLO: Who I think you describe as somewhere in the report as Mr Setka's hand-picked successor.

35 **MR WATSON:** Successor. No, and this is kind of funny because they always the word which I always thought it was an odd word to use, anointed. Mr Christopher used that expression about himself, he was the anointed successor. He was going to succeed Mr John Setka. And this thing has been hanging over Mr Christopher's head for a long time. And he would say if he was here, "Nobody ever charged me." Now in the report, you will see there's a redacted section. That's because somebody told me that they heard something. Since then I believe two other people also heard a similar conversation. I've heard that in the last fortnight.

45 **MR COSTELLO:** All right. I wasn't to touch on a different form of ad hoc corruption and give you the opportunity to explain whether or not you actually see this as corruption or if it's just the possibility - a possibility of something that might be indicative of construction. If we move - sorry, of corruption. If we move to page

42, two pages ahead, you've got a section here dealing with Mr Setka and Dreamstreet.

5 **MR WATSON:** This is a very unusual story. Very hard to get to the bottom of this.

MR COSTELLO: Deem Street is a financier.

MR WATSON: Dreamstreet is a financier; like a smaller style, it's not a large bank.

10 **MR COSTELLO:** What were you told about Mr Setka and Dreamstreet.

15 **MR WATSON:** I was told that there was an unusually close relationship between John Setka and John Hronis, H-r-o-n-i-s, who owns Dreamstreet. I was told not by one person but by a lot of people that repeatedly Setka would be there pumping the workers to get their finance through Dreamstreet; mortgages, et cetera et cetera. But he was always speaking as though he was spruiking for the organisation. Some of the people suggested to me that Mr Setka had some share in Dreamstreet.

20 The connection between them was strong and then there is a connection in another way. They seem to own apartments in a building near each other and they are constantly seen together and, even again, in the last fortnight I received more information about this relationship between them. I couldn't get to the bottom of it. This really does require quite a bit of digging. It's been around for years, it's very unusual. I do know, because I've seen the documentation, that Setka has financial
25 dealings with and loans from Dreamstreet.

Now a number of people have told me that he would take out loans with Dreamstreet and they would be forgiven. Is this all true or not? Well as you know, Mr Setka, in fairly colourful terms, told me he was not going to cooperate with me.
30

MR COSTELLO: And because Mr Setka was unprepared to cooperate with you, you couldn't get to the bottom of Dreamstreet, you couldn't get to the bottom of his real estate interests which you describe as curious.

35 **MR WATSON:** They are very odd. I think I've included there that some of them seem to connect Setka with a fellow called Jadran Delic. Now, I believe Mr Delic is more commonly known Jadran Delic. He is a vehemently anti-union, anti-worker developer. Odd friend for somebody like Setka, you would think. But it seems as though they were having business transactions together and what Setka was doing
40 was putting up his son as the nominal face of his involvement so that his son was 18 years old and being used as the front person for a corporate venture, which looks obviously connected with Mr Delic.

45 Now when I say that, I have also seen emails which describe the fact that properties were put in the name of Setka's son but they were actually owned by Setka and his wife. So I've seen that. It's real. Now, I should tell you this, Mr Delic's own connections are problematical.

MR COSTELLO: You are speaking here about Mokbel.

MR WATSON: He seems to be in business with Horty Mokbel. Tony Mokbel is kind of the head of the clan - Horty is his brother but has a similar reputation in
5 Victoria. And there's no doubt a connection between Delic and the Mokbel clan and in addition, I guess you can't pick who your daughter is going to fall in love with but his son-in-law is Rocco Arico. You may not know, this was said at the National Press Club. Google it, you will find out a lot about Rocco Arico in minutes. He is in
10 prison at present. You will see. You can look it up when you Google it. It will say he is the leading suspect in the death of Carl Williams that he organised that hit from inside jail himself. So we're talking about bad people.

MR COSTELLO: And did you consider it, notwithstanding the fact that you couldn't form firm views on financial transactions whether or not union money had
15 been used, whether or not there were kickbacks or bribes, did you view it as significant alone the fact that people of those type of reputation were close to trade union leaders?

MR WATSON: Of course. Look, it might be that through some means or another,
20 you have a connection which you didn't even know about because your kid goes to a school. For example, I heard an interview with Gatto where the school principal came to him and said, "The other parents are asking you not to come and pick up your child after school because they thought it might make the whole school a target or something" sometimes you might meet somebody but it's the unusual number, the
25 large number of bad connections and the strength of the connections which is troubling here and they're repeated. I'm starting to hate this because I think people here will start thinking I'm a conspiracy theorist. But these are things that I was living with and hearing these stories and seeing evidence of it over a lengthy period of time on a daily basis.

MR COSTELLO: Do you consider a failure to disclose a conflict of interest to be
30 a form of ad hoc corruption?

MR WATSON: Yes.
35

MR COSTELLO: And so if it was the case, for example, that Mr Setka had -

MR WATSON: Look, when I say that, it obviously depends on why your doing it. It
40 depends on the seriousness of the conflict and it also depends on why you're doing it.

MR COSTELLO: Take Mr Setka and Dreamstreet, for example. If it was the case that Mr Setka had financial arrangements of one kind or another can with
45 Dreamstreet, would you consider it problematic that that was not disclosed to the union membership (crosstalk)

MR WATSON: If he had any beneficial arrangements or any personal financial arrangements with Mr Hronis or Dreamstreet and he was spruiking for the company

to the general membership, then I regard that as obvious conflict of interest but you have established the basal fact that is that he had the connection and that it was, in some sense, not at market rates.

5 **MR COSTELLO:** You would give the same answer in respect of Mr Setka's activities in property development that you write about as well?

MR WATSON: Yes, which were kept well hidden from the general membership.

10 **MR COSTELLO:** You were able to satisfy yourself that Mr Setka been engaging in property development?

15 **MR WATSON:** Yes. I put it in the report. I nominated who his partner was and the strong CFMEU connections of his partner. He was given a cushy delegate's job where he didn't have to turn up to work so he could manage his and Mr Setka's project.

MR COSTELLO: If we just go over the page -

20 **MR WATSON:** Frank Prevorsek.

MR COSTELLO: If I could just get rid of those paragraphs please and just go over to the next page, numbered page 44. This is the - sorry, this is the start of the part you are speaking about entitled John Setka and the Property Developer.

25 **MR WATSON:** Yes.

MR COSTELLO: And you note there in 2008, Setka commenced property development in relation to a property at Seddon to a commercial entity.

30 **MR WATSON:** Yes.

MR COSTELLO: But you say he concealed his involvement in the company by putting in the name of his son, David, over the page, please, who is, at the time, 18.

35 **MR WATSON:** Yes.

MR COSTELLO: And then you say at 294 that that arrangement was acknowledged to be a sham in emails. Did you see those emails?

40 **MR WATSON:** I saw them.

MR COSTELLO: Dreamstreet provided the finance.

45 **MR WATSON:** That's correct.

MR COSTELLO: And Dreamstreet knew that it was a sham arrangement. You knew that from emails that you saw?

5 **MR WATSON:** Yes. Now I haven't carried out some sort of survey of the general membership to find out whether or not they knew about this and quite frankly, I wasn't kind of interviewing with the general membership but I was - I did ask a few people whether they had any idea about this, who were, in effect, union insiders and they had no idea that this was going on. Some of them had heard the rumours, obviously. Some were my informants.

10 **MR COSTELLO:** Now, this type of ad hoc corruption, you've pointed to a number of circumstances that at least give you cause to think that further investigation was warranted into the financial dealings of some of the leadership of the Victorian CFMEU; Mr Setka, Mr Christopher, for example.

15 **MR WATSON:** Yes.

MR COSTELLO: But did you form any view about whether or not ad hoc corruption of one kind or another was limited to the leadership of the CFMEU?

20 **MR WATSON:** No, no, no. The ad hoc corruption, especially the bribes being paid here and there and everywhere, was also very common amongst organisers and also delegates.

25 **COMMISSIONER:** All right. But you don't have any evidence of the - none of the examples under Ad Hoc Corruption are delegates, are they? They are all organisers.

30 **MR WATSON:** No there's a couple who are delegates. For example, I've got in there express examples of Joel Leavitt, who was taking money on a - I've been told by many people on a regular basis to get people work on the Hurstbridge site.

COMMISSIONER: Under different headings, not under that heading -

35 **MR WATSON:** Yes, it's probably under different headings. Putting something under - look, I feel disappointed when I reread my own report because I think it's highly repetitive. You have got to select which heading you put something under. Sometimes it's imperfect.

40 **COMMISSIONER:** The reason I asked the question is I would have thought the ad hoc corruption was much more prevalent at the delegate level, given your report. I mean, you say there are all these people who are paid between \$200 and \$300,000 a year that don't have to work that are given an office, that are given a car. Sometimes are paid as if they work 56 hours per week and on some examples you have given actually have their name down on a ghost shift.

45 **MR WATSON:** Yes.

COMMISSIONER: That looked to me as a much more likely focus of ad hoc corruption. That group and the group you picked.

5 **MR WATSON:** I think you're right. I've sort of put that in the report but in other areas. But, Commissioner, I think you're absolutely right with respect in describing that as a really, really ripe area for corruption. And I had to pick where I put it. And I was really, I wanted, in this report, really, to make the point with as much force as possible, that I really think it's the fake and unnecessary delegates where the real damage was being done.

10 **COMMISSIONER:** I'm sorry, Mr Costello.

15 **MR COSTELLO:** I want to move to a different topic. Enterprise bargaining agreements. Could I have numbered page 59 on the screen, please. You would agree that enterprise bargaining agreements are one of the foundational instruments of the industrial system?

MR WATSON: Absolutely.

20 **MR COSTELLO:** And in the course of your investigation, you came to consider whether or not the enterprise bargaining agreement system within the Victorian construction sector had been corrupted.

25 **MR WATSON:** Yes.

MR COSTELLO: You came to consider that, no doubt, because you were given examples by people of circumstances involving the negotiation of EBAs that fitted into some form of corruption but then it became so prevalent it became a topic in and of itself, the use of.

30 **MR WATSON:** You've got to remember this is actually my point of being triggered in the whole event was the thing when 60 Minutes was on. I was brought in and taken to a hotel room on Broadway in Sydney and shown the film of Harry Korras speaking to an undercover agent and the crew who took my pictures were saying later, "We will give you some advice. Don't become a poker player" because of my reaction to it when I was watching it.

40 It was pretty horrifying, he is talking about buying and selling the things quite openly, wait for it, to a stranger. It's just awful. And so from day one I knew this was going on. And then, of course, one of the first things that I investigated was the Faruk Orman matter. Now, everybody knows the story of Faruk Orman; he was convicted of murder, he was driving the getaway vehicle which was carrying Benji Veniamin, a notorious killer, to murder another underworld figure. It all gets a bit messy because Veniamin is no longer here to tell us his story. He was the man that
45 Gatto killed in the back room at the restaurant in Lygon Street, Carlton.

COMMISSIONER: I think it was in Rathdowne Street.

MR WATSON: Right. I'm sorry, there we are.

MR COSTELLO: You are not far off.

5 **MR WATSON:** Not too far. But the point is it's just a very messy story and what
happened was that Faruk Orman would never give up to the police who it was that he
was there for. So all I know is, Mr Gatto has got Faruk Orman tattooed on his chest,
he ran campaigns to fund raise to get his defence money. Now, Mr Orman was
10 EBAs. No experience. None. When, in fact, he had spent something like 14 years in
jail at the time he gets out and then gets EBAs in things like specialist areas like
calking and sealing. It's ridiculous when you recount this.

15 But then he also becomes a broker and arranged one and get one and sell it for
\$250,000. Now that is all in the Faruk Orman report. That was one of the first thing
I did. So I was always interested in the corruption of the EBA system. Perhaps that's
why I've got no friends.

20 **MR COSTELLO:** Mr Korras, who was he, you mentioned him connection with 60
Minutes.

25 **MR WATSON:** Mr Korras is a hanger on to the Carlton crew; offsider of Gatto,
facilitator, corruptor. He acts as an agent buying and selling EBAs. By the way, if
you think I'm saying that, watch 60 Minutes. He says it. He admits it.

MR COSTELLO: Could you just explain, perhaps, what the methodology was here
in terms of the selling EBAs, practically. How did this work?

30 **MR WATSON:** There's a couple of different ways that it works. EBAs can be so
valuable. They're - especially labour hire. Especially - this came as a bit of an eye
opener to me - traffic management. That's an incredibly lucrative field. So if you can
get one of these things, you can make a fortune. It's no risk. The profit margins are in
the order of 10 per cent. It's just a licence to print money. So you want to get it. But
35 the other thing is this: You don't want others to get one so that you've got no
competitors. Mr Korras explains all of this himself.

40 So to get an EBA you go to one of these brokers. The brokers are right at the top,
Gatto, in the instance they covered in a separate report, Faruk Orman, Harry Korras,
these people are people who have got connections. There's there one about Billy
Mitris, he and Elias Spervovasilis, the assistant secretary were such close friends
they have got - father of each other's kids that kind of thing. So you could go to Billy
Mitris and he would get you an EBA.

45 Now, generally speaking that's the way it worked. You want to get into a field you
go to one of these brokers or you go to a member of the executive and they do it for
you. You pay money.

MR COSTELLO: When we're talking here about EBAs and buying them, you mean a CFMEU EBA.

5 **MR WATSON:** Sorry, the CFMEU EBA. Now, the reason why it's so valuable is because the CFMEU have driven the AWU off the sites. If you had an AWU EBA, it became worthless. Nobody wanted to use you. Now, not only that those are (inaudible) by threats which would come from Joe Myles, I've given instances of that where he would just line up and say, "You're using a CFMEU contractor or close the site." Or in a couple of instances that I've given there but they've been heavily
10 redacted people were told, "Yeah we will get you an EBA but you must have all of your workers quit the AWU and join the CFMEU."

15 Well, that's illegal under the legislation. Now, this sort of thing was just going on. So when you say it comes in a couple of different ways, I've given you a few good examples there.

MR COSTELLO: I'll come back to the different ways in a minute. But in terms of the prevalence of this type of conduct within the CFMEU and through associates, did you form a view of how common this was or this a once every now and then there
20 was an EBA that was negotiated or sold corruptly or was it a common practice.

MR WATSON: Couldn't get to the bottom of it and part of the problem is this: That there's a degree of opacity around the whole of the process. When I was doing the Faruk Orman one, I was got as close as I ever got in any of them ever to getting the
25 full documentation which related to the creation of a new valuable CFMEU EBA. And what it involved was this: Joe Myles ringing the person who draws up the EBAs saying that there were going to be two EBAs for Faruk saying they would be done, didn't have a name of a company because Faruk Orman hadn't incorporated it but they already decided to give it. The EBAs were drawn up. The company name was
30 established - that was filled in to the EBA. I think there was another phone call from Joe Myles but this is all published, you can read it, and then it was signed up and approved all within a matter of days.

35 Now, when I brought Joe Myles in and said, "Look, explain to me the circumstances in which it could possibly be the case that you recommending this bloke Faruk Orman, he's got no experience et cetera, for an EBA." He said, "I didn't know him." So this is supposedly an innocent transaction where somebody you don't know, with a company name you don't know, gets a valuable EBA within days. It seems preposterous. I also spoke to contractors who told me that they had been negotiating
40 over an EBA for months and months and months and just couldn't make any headway. I don't know how prevalent it is. I couldn't get to the bottom of the records. I didn't have complete trust in some of the people who were giving me the records from the CFMEU. The CFMEU is not ever going to go down in history as a good record keeper, let me assure you. It's a worry.

45 **MR COSTELLO:** You say in your report over the page at 389 that CFMEU EBAs were bought and sold as commodities on a kind of black market.

MR WATSON: Yeah, that was my expression. I think that's the proper expression for it.

5 **MR COSTELLO:** And you mentioned before that traffic management was an area of particular profit.

10 **MR WATSON:** Well, I should say when I'm talking about the commodities I had in mind the Faruk where he got it in his own name. It only took a few days. Within a couple of days, he sold it to other people. That's why I was describing it as a kind
15 of commodity. Traffic management, if you want to talk about that, is just weird but traffic management is a very big part of the industry and expensive contracts are allocated and it's absolutely utterly no risk because you've got a kind of steady workforce and the head contractor or the superintendent of the site will ring you up and say, "Well, tomorrow we need 7 people at this corner and 3 people at that corner." That sort of thing.

20 So you then engage your people for that day. They are then charged out to the principal contractor at an hourly rate. You will see in there, some of them are like \$120 an hour and not all of that goes to the worker, naturally. Very little of it. You just skim the money off the top and it's no risk because if you only need seven tomorrow and five the day after that, you're not paying the workers for the days they're not working.

25 **MR COSTELLO:** You say at paragraph 390 which is up on the screen that you were given some examples about the value on the black market of EBAs. You describe there being many accounts to suggest that a labour hire EBA will cost half a million dollars.

30 **MR WATSON:** Yep. That was figure is being bandied around all the time. Now, I never got an instance of it. But again, that would require having somebody who is corruptly paid half a million dollars to get an EBA to come forward and tell me by the way, I corruptly did that. I was able to speak to one person about one of the things but it's heavily redacted and I also saw the Faruk Orman one. They are the two people who got Faruk Orman to get it for them, paid him \$250,000 for what was
35 described as a civil construction EBA. Well, civil construction is an EBA which is up there. Quite valuable but not at the upper level of labour hire or traffic management.

MR COSTELLO: You had hard evidence of the \$250,000.

40 **MR WATSON:** I had hard evidence. I saw all - I had witnesses.

MR COSTELLO: But you had accounts of the half a million dollar price tag but not hard evidence; is that fair.

45 **MR WATSON:** Yeah, but let's put it this way. There's an account you can read it where somebody got Billy Mitris to organise an labour hire EBA for \$50,000 but Billy Mitris also took a share of the business, you see. So that was how the rest of the

pay-off was done. But with the person who recounted that story when I spoke to - well, I'll just say the people who would know, the really serious investigators in this area they've said, "We have always doubted his story because \$50,000 doesn't sound enough to get it." It was \$50,000 for a specialist labour hire EBA which was for veterans. That's there in the case study. It's also in paragraph 394, I just saw.

MR COSTELLO: Yes. So you were well satisfied of the fact that Mr Orman had obtained these EBA as and then on-sold them within a matter of days for real money.

10 **MR WATSON:** I remember Joe Myles - you can read this in the report. When it came time the two guys who were paying the \$250,000 decide they couldn't come up with the whole of the \$500,000 to buy the two, they said just give us the one in the area of civil construction. So they paid 250 grand for that and they were willing to pay \$250,000 for it and especially because one of them is a very experienced
15 businessman you would think he knew what he was talking about.

MR COSTELLO: Okay. If that could come down, please, and we could move to the next page, numbered page 62. Aside from the commoditisation of the CFMEU EBAs and the conduct that you have just been giving evidence in respect of, you also
20 talk about the awarding of EBAs to friends.

MR WATSON: Oh yeah.

MR COSTELLO: This is something you heard more than once in the course of
25 your investigation.

MR WATSON: Oh yeah. There's a redacted section there at 399 so I'm not going to talk about that but all I will generally say is that I had hard evidence of John Setka doing something for somebody with whom he had a personal connection. I'll leave it
30 at that. But even better, the one I really love is that John Setka intervened and got EBAs for the fellow I messaged earlier, Jadran Delic. I think just have a look at paragraph 400. This is not me saying this, not me making it up. This is from a transcript in court proceedings which Jadran Delic was actually admitting to hiding his assets.

35 Why? Because I'm in the building game and the way unions work at the moment, any of your workers can see you if they fall off or, you know, hurt themselves. And that's why he is hiding assets to defeat claims by injured workers and he's blaming that on unions. Well, the secretary of the CFMEU John Setka thought that was the
40 kind of bloke who should be showered with EBAs.

MR COSTELLO: You talk also about third party EBA brokers.

MR WATSON: Well that's the people I was talking about before. Ormon acted in
45 that case and Billy Mitris does it and it seems to be Harry Korras' business - sorry, Gatto does it as well.

MR COSTELLO: And these people acted as intermediaries.

MR WATSON: There's also other people have done it as well, I've forgotten but I've got a feeling there were redactions.

5

MR COSTELLO: So what as a matter of practicality is necessary for someone to be able to act effectively as a third party EBA broker.

MR WATSON: They are able to pick up a phone and call their best mate, John Setka. That's what Gatto does. Or in the case of Joe Myles, just send a direction to an employee of the CFMEU. I know who received the direction from Joe Myles and I have no reason to think in any sense they are corrupt but they are acting under a direction from the senior vice-president of the CFMEU, Joe Myles.

MR COSTELLO: With an instruction to award an EBA yes, the company, it doesn't have a name yet, sure. None of it stacks up and it's impossible for me to sit here and ignore the fact that they are very unlikely to be conferring these favours for free.

MR COSTELLO: You have spoken in your report or written in your report about the misuse and abuse of social procurement schemes.

MR WATSON: Yes.

MR COSTELLO: Could you just explain what you mean by that -

25

MR WATSON: Social procurement schemes are under, this is Victoria. Think of it the same thing going on here in Queensland but there is legislated a need to either prefer or at least take into account certain vulnerable groups when doing things like awarding contracts and awarding EBAs. For example, and this has been prominent around Australia for two decades, Aboriginal businesses.

Now it's just to encourage Aboriginal businesses and get them going. Well, Mick Gatto owned an Aboriginal business. When the heat was on and it was being exposed that he owned an Aboriginal business, it's true he sold out. He sold the business to his daughter who is about as Aboriginal as Mick Gatto. Now, that's what I mean at one extreme end of the social procurement abuses. But there's another point.

In the case of Aboriginal businesses, it concentrated an incredible amount of power in the hands of the organiser Joel Shackleton. Joel Shackleton himself is First Nations and he's the head of a good - or it should be a good - organisation within the CFMEU called Koori Constructions which is designed to encourage employment of First Nations people and encourage First Nations businesses.

But unfortunately when you give that much power and place it in the hands of one person and you pick the wrong person, it will go terribly awry.

45

MR COSTELLO: You say in the report that Mr Shackleton was responsible for the destruction of a string of businesses.

MR WATSON: Yes.

5

MR COSTELLO: How is he responsible?

MR WATSON: By refusing them EBAs. These are - this is the expression, Aboriginal businesses. So if Shackleton didn't like you had no chance of getting an EBA you're just out in the cold. He, I had repeated counts of this and some of them are redacted.

10

MR COSTELLO: Yes f that could just come down please, if I can just assist you with that out of caution. . No, sorry, I want the document up, I just didn't want the exploded paragraph. If I could just have numbered page 67 on the screen.

15

MR WATSON: I had to be really careful in this area because it's a small area. It could be identified.

MR COSTELLO: If you could move down to the second part of the page, I just want to remind you about redactions. In the course of this evidence that will remind you what that is about.

20

MR WATSON: I know what one is sitting under there, too. I can picture it, I know exactly the story. A beauty.

25

MR COSTELLO: Yes, but in any event you considered that businesses that ought to have been awarded EBAs, if that's the right way to put it, were denied that by Mr Shackleton on capricious grounds?

30

MR WATSON: Yes.

MR COSTELLO: Which led to businesses failing?

MR WATSON: Yes.

35

MR COSTELLO: If we go over the page to 68 -

COMMISSIONER: Just before you leave that point, Mr Costello. The enterprise bargaining and the attitude of the CFMEU, and the predecessor union or unions was that anyone who wanted one should get an EBA. In fact, even people who didn't want one should be forced to have one.

40

MR WATSON: That, Commissioner, should be the position. Would you think that they would be encouraging more and more and more.

45

COMMISSIONER: So there was a very inclusionary approach, sometimes backed by force and threats. When did things change to this exclusionary approach, in your judgment?

5 **MR WATSON:** I don't know. I couldn't get to the bottom of that because once the
administration was called in, I couldn't talk to the executive. I did try to talk to
people around the EBA system but one of the people to whom I spoke I thought was
very unreliable and others, well, they were - I think it was a little before the Ravbar
10 case was decided, and I think they were genuinely worried that people would come
back.

COMMISSIONER: And why did people who didn't have a CFMEU EBA not get
work? A foundational principle of the system is that you are free to enter into an
15 enterprise bargaining agreement with a union who has got coverage or no union, or
not have an EBA at all and that someone who is in the position of employing the
labour is not allowed to discriminate on that basis. But what actually happens?

MR WATSON: Joe Myles happens. You either use the person with the CFMEU
EBA or stop the site somehow. When I nominate Joe Myles, he's just one of many.
20 That's what happens. And that's where this idea that everybody should be scared of
us, everybody has got to do it our way or otherwise you're going to be in trouble pays
off. It's where that thing which we dealt with a little bit earlier about the person
speaking to a bureaucrat, two contracts, give it to the more expensive one.

25 I've given numerous examples where people have - at the CFMEU have made these
kinds of threats. You will either deal with this contractor or we'll just stop the site
and that's what is happening. I couldn't agree with you more. My understanding of
the EBA system was it was a way of propping up and guaranteeing workers' rights
and that good employers would want one, and a good union would want all
30 employees to have one.

Instead by keeping it within the control, they can commodify it. And that's what
Harry Korras admitted to the undercover person and shown on 60 Minutes. I've
35 included the transcript of what he said which is a pain in the neck for me to listen to
it time and time and time again to get the right words, but I did.

MR COSTELLO: Could we move back to page 59, please and if paragraph 382
could be enlarged. Is this what you had in mind?

40 **MR WATSON:** Yes, well that's part of it.

MR COSTELLO: That's part of it.

MR WATSON: But I put the whole thing in a case study. There's a transcript of
45 what he said to the undercover person and it's - I'm saying that is that you see they
want to be paid for it because if they give you one, they're going to have to move
somebody out.

MR COSTELLO: And could we move to numbered page 68, please. There's just two other incidents that you discuss in this connection. This is the first one about a small-scale Indigenous labour hire firm. Could you explain to the Commissioner what this is about?

5

MR WATSON: This also featured on 60 Minutes if anybody wants to watch it, because there is no way I have it within my power to convey what was going on in that collusion between these people. The business was a smaller style of business. It wanted a CFMEU EBA. Can I just pause there and say I don't know how comfortable you guys feel about talking about this. I'm not worried about it but I understand that Shackleton's charges are coming up and that this will be dealt with in court.

10

15 So I am not sure. There is the whole of the case study on this has been redacted not by me, that was done by the administration on the basis it could constitute a sub
judice of contempt. I do not agree with that as a proposition of law or fact. But that was done so I didn't fight it because it's a careful position. I will just pause there and say Victorians are pretty notorious on their suppression orders and the like. But, so you guys, sorry, Mr Costello, I shouldn't call you "you guys." Are you okay with me
20 talking about this?

MR COSTELLO: You can assume if I ask you a question that I've asked it on the assumption that I'm comfortable with the answer. I don't want you to go beyond what is stated in the paragraphs that in front of you but I want you just to give a general
25 overview of what this incident was.

MR WATSON: Two organisers, Shackleton and McCrudden, were walking along the street. They bump into the guys from the small Aboriginal business. An exchange occurs. Now, there is a possibility that this was a set-up because it was filmed, that
30 the two guys from the smaller film orchestrated bumping into McCrudden and Shackleton. I don't care less. What followed is so disgusting that it wouldn't matter whether it was an accident or not. There's a discussion there where they say that they will not ever get an EBA. These are First Nations fellows as well, by the way. And there's part of it, as Shackleton gives a few reasons why but it's mainly swearing.
35 And then McCrudden joins in at the end, almost taunting them by, saying, "We've got all the Big Builders signed up and you can hear him list off some of the very prominent building companies to say we've got them all, you're never going to get any work."

40 **MR COSTELLO:** All right. That can come down, please. There's another final matter. You've given about this already over the page, which is Jarrah Resources.

MR WATSON: Oh yeah.

45 **MR COSTELLO:** Now, this is the entity that you mentioned before that Mr Gatto was connected with.

MR WATSON: Well, it's not a very sophisticated ruse because the shares were originally owned by a company which Gatto owned all the shares, so his name is on the record and then the fact is that he made some transfer. Now, I don't know whether Jarrah Resources was ever successful. I just don't know. I tried to find out things about it, some people told me that it was a prominent player at one stage. I don't know. The definition of an Indigenous business or an Aboriginal business is not by who is employed by it, it's who owns it.

There's a description of this, by the way, in the Long report to Faruk Orman because it was relevant there. If a company is 51 per cent Aboriginal owned, it can get registration as an Aboriginal business. Under that, they could employ only white fellows and still be an Aboriginal business. But this failed at the first hurdle. That was an abuse of the social procurement framework.

MR COSTELLO: Yes, that can come down, thank you. So, Mr Watson, in the course of your investigation, you identify -

MR WATSON: I should say this: the way that you get certification is if you go through two organisations, and they have both - have very, very, very good reputation. One of them, Kinaway, the Kinaway Chamber of Commerce, I believe that is a very good organisation. But at one stage it does seem as though it was problematical because I got a couple of accounts of people going to Kinaway and somebody at Kinaway - I believe I know who it is - said, "Well, really you need to go and see Harry Korras." So the great circle of corruption keeps turning. Sorry, I interrupted you.

MR COSTELLO: Not at all. In the course of your investigation, you came to have a view about the corruption of the enterprise bargaining system by the CFMEU in Victoria. Did you form any views on what could be done to prevent abuses of the enterprise bargaining agreement system?

MR WATSON: Well, my view - I can't speak for it today under the administration may have been cleaned up, the most obvious was not to let crooks run it and crooks are running it, the CFMEU. Does that mean that you should take unions out of the picture? Of course not. But it might mean that their powers somehow or another needs to be controlled or overseen because it could happen again. Again, I agree with the Commissioner. I didn't understand that the EBA system should work this way, I rather felt that it was appropriately working in a different way but it seems to work this way.

MR COSTELLO: At least it did in Victoria?

MR WATSON: It did. There's also other stories, by the way, that I was given but you have to draw a line somewhere, but I might as well get it off my chest. I was told by a couple of witnesses that Gatto's companies, M1 - they normally have an M in it, I don't know whether that's for Mick -

MR COSTELLO: (Indistinct)

5 **MR WATSON:** But a lot of them have unfortunately have bust, owing money to people, and then they come back as a very similar name. But what I heard was that they get the contracts by holding a CFMEU EBA but then they subcontract the work which should not be done ,subcontract the work to non-EBA companies which pay the workers much, much, much less. Now, the original contract would have been struck between the Gatto company and a principal contractor for so many million because it's calculated by reference to the higher rates of pay.

10 If you're not paying the EBA rates, that's just pure profit. So that's another way of abusing the EBA system. I had scant information on that. I had a deadline and I had a job to do and I didn't go ahead with those stories.

15 **MR COSTELLO:** What I'm trying to understand is whether or not the corruption, the method of corruption of the system that you identified in Victoria is replicable in other states?

20 **MR WATSON:** Of course it is. The possibility is there that it would be replicated elsewhere.

MR COSTELLO: And that turns, would you say, largely or would you say entirely on a question of union leadership?

25 **MR WATSON:** I hadn't thought about it that way but it is. It's all about who is in control of it. So it comes back to the leadership. Look -

MR COSTELLO: (Crosstalk).

30 **MR WATSON:** Mr Costello, virtually everything I've said - I know I've been giving Victorian examples - but all of those things are here or will come here to Queensland, whether it's ad hoc bribery of the kind that we described. Any of those things are either here or coming. Now, I've got to say this: There's an administration in place here as well and I've met the CEO and I, quite frankly, thought that he was outstanding. And I know that they're doing a good job up here as well but that business especially with the appointment of delegates, that really worries me.

35 **MR COSTELLO:** Well, we will come to that tomorrow. Commissioner, I'm going to change topic now but given the available time it's probably not worth troubling Mr Watson, who has had a long time in the box already today. Is that a convenient time?

40 **COMMISSIONER:** It is. I wonder if I could just ask one question on the topic you will come to tomorrow, which I imagine is labour hire and traffic control companies. Is part of the reason that there are, I think you said something like easy profits or easy money to be made in those two businesses related to the lack of capital investment needed to start the business?

MR WATSON: Yes. It's a really peculiar thing. Traffic management is - look, it's problematical and I just had a smile on my face when I was answering your question, but I want to wipe that away because there's a disgusting point to this as well. First of all, traffic management is a particular problem, I met with a fellow who had no axe to grind in this at all who explained to me how he had seen instances with the traffic control that some young women had been selected because they're quite often young women, a matter to which I will return. To be employed for the traffic management companies and he said, in one instance, he was talking to a young woman who had arrived only a week before from Ireland and she had got a job on a stop and slow sign earning over \$200,000 a year.

Now, this is no laughing matter. It's no smiling matter. I heard this repeatedly that the young women who were being picked were being picked for the worst possibly reason you could imagine. I don't ever want to repeat it but you know what I'm talking about. There is a mention in the report about something to do with this, about one man who was a sexual predator and other people who were employed, they were recruited from strip clubs. And on that sad note, did you want to call it a day?

COMMISSIONER: I'm sorry, I didn't mean to open up the topic, Mr Costello, you are probably going to it tomorrow, I was asking a question about capital investment. Nothing else?

MR COSTELLO: No, thank you, Commissioner.

COMMISSIONER: We will adjourn until 10.00 am tomorrow.

<THE HEARING ADJOURNED AT 3.27 PM, UNTIL THURSDAY, 12 FEBRUARY AT 10.00 AM