



**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**

**THURSDAY, 12 FEBURARY 2026
AT 10.00 AM**

DAY 9

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 and Mr I Bloemendal, Cross River Rail Delivery Authority**

<THE HEARING COMMENCED AT 10.00 AM

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

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MR M. COSTELLO KC: I do. Thank you, Commissioner.

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

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MR F. FOX: Yes, Commissioner.

COMMISSIONER: Mr de Jersey, you appear with Ms Brooks for the State of Queensland.

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MR D. DE JERSEY: Yes, Commissioner.

COMMISSIONER: Mr Massy, you appear for Mr Ravbar and Mr Lowth.

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MR C. MASSY: Yes, Commissioner.

COMMISSIONER: And I think Mr O'Brien who appears for the Cross River Rail Delivery Authority will be late. Otherwise, I think that deals with all the appearances. Mr Costello.

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MR COSTELLO: Thank you. Commissioner. Mr Watson, we had started making our way through your Rotting from the Top report. I want to deal with a number of particular matters that you address in your report and I want to try and deal with them somewhat thematically. You will recall yesterday that we had identified that you had identified eight factors that "wrecked the CFMEU", to adopt the language of your report, and the fourth of them was a growing fear amongst contractors that the CFMEU would use its power to damage them.

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MR WATSON: Yes.

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MR COSTELLO: Now -

MR WATSON: You see how that relates very closely to the first one, the spirit of lawlessness.

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MR COSTELLO: Yes and that manifested in a variety of different ways in a variety of different conduct.

MR WATSON: Yes.

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MR COSTELLO: And it's speckled throughout your report, conduct that could rightly be described as directed to induce fear in somebody else?

MR WATSON: Yes.

MR COSTELLO: By union actors?

5 **MR WATSON:** Yes.

MR COSTELLO: Now -

10 **MR WATSON:** Principally financial fear by the way but there was also some risk of physical injury.

MR COSTELLO: Yes. If I could have GW13 on the screen, please. And I'll go to parts of it in a moment but you deal with this first at page 12 of your report, Mr Watson, under the heading The Fear Factor. You say:

15 "This is where its lawlessness and its reputation for lawlessness really paid off for the CFMEU."

20 And what you mean by that is that contractors were aware that if a demand was made irrespective of the legality of the demand, irrespective of whether or not the demand had any sound reason. If it was not complied with, the union would take action of one kind or another.

MR WATSON: Yes.

25 **MR WATSON:** Yes. Repeated action. Most graphic example that you can think of on a building site is interrupting a concrete pour and there were times when there were heavy fines issued in relation to concrete pours and Joe Myles would be back out the same site the next day saying, "We're going to stop the concrete pour." They didn't care.

MR COSTELLO: That was conduct you were informed about in respect of the Victorian CFMEU and Mr Myles' concrete pours.

35 **MR WATSON:** Yes, if you're asking me whether I can recall it in Queensland, I can't off the top of my head, but -

MR COSTELLO: I can tell you dealt with it in your Queensland violence about it as well. In fact, I asked you some questions about it the last time you were here.

40 **MR WATSON:** Right.

MR COSTELLO: So that type of conduct using concrete pours as an important pinch point -

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MR WATSON: Sorry, I do remember now I've got it in my mind a couple of very dramatic incidents on - in Queensland on concrete pours - interrupting them, because you can - well, even a layperson can see the impact. Go on, sorry.

5 **MR COSTELLO:** You described it when you gave evidence on the 19th of November as an occasion where "workers have got the whip hand".

MR WATSON: Oh. Yeah.

10 **MR COSTELLO:** And because of the particular power and the significant financial impost that can result from interfering with a concrete pour, for a lawless union, it's a prime opportunity to extort.

15 **MR WATSON:** Yes. The reason why I hesitated about that was, well, I mean, somebody my age I remember it quite vividly when the Builders Labour Federation in New South Wales was interrupting it but I don't think they were doing it to extort. I think they were actually - they were politically and ideologically to disrupt the system.

20 **MR COSTELLO:** Yes, so okay, that's how that came across here, though.

MR WATSON: No, this is a brave new world where it seems to me as though ideology, the CFMEU seem to be untroubled by ideology.

25 **COMMISSIONER:** What period of time are you talking about there in terms of the New South Wales BLF?

30 **MR WATSON:** Right up until they were deregistered, which I think is '86. It got right out of hand, like - I remember it quite vividly from my last years at school in the 70s and all while I was at university, the BLF, under an ideologically leadership, Jack Munday is a pretty famous figure in New South Wales with very mixed reviews, by the way, but they were out of control. But yeah, I don't see any of that anymore. I don't see somebody in the CFMEU, at least in the leadership in Queensland or Victoria, or even in New South Wales, is being driven by true ideology in that sense. Tom McDonald was. Pat Clancy was in New South Wales. But not these fellows.

40 **MR COSTELLO:** What were the animating ideas or principles of the leadership so far as you've been able to ascertain?

MR WATSON: Money. Power.

MR COSTELLO: You say at paragraphs 90 and 91 that there were many examples of this type of lawless conduct.

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MR WATSON: Now, are you talking about the Queensland report or the Victorian report?

MR COSTELLO: The Victorian report.

MR WATSON: Right.

5 **MR COSTELLO:** And as you point out, the evidence of that conduct is indisputable because there are innumerable court judgments with findings made about this type of lawlessness. Now, does that indicate to you that not only was there a failure of leadership on the part of the CFMEU but there was a failure of the regulatory model?

10 **MR WATSON:** There are multiple failures of the regulatory model and in saying that, I don't want to be heard to be criticising those who designed the regulatory model, or those who were applying it. Maybe I do criticise them a bit. The point is that these were matters which were just unforeseen, these kinds of challenges. I don't think anybody ever thought we can put in place a system where unions can be
15 heavily fined for misconduct and they'll laugh it off. It's very hard to regulate in that environment. And in Australia, as you would appreciate, it's a political step too far to start talking about a union leader going near a jail. There's been problems of that kind through the whole of the 20th century.

20 **MR COSTELLO:** Is that one of the great problems here, that you had at least a branch of a union, if we concentrate on Victoria for now, suffused with criminality without a serious risk of criminal consequence?

MR WATSON: But there was serious risk of serious consequence because they
25 could be fined and personally fined and I don't know about you but if I was hit with a personal fine of \$25,000 or \$50,000, I would find that shattering. But as you know, I've reported on this in Queensland, they weren't paying those fines. There was a third party which paid those fines for them.

30 **MR COSTELLO:** Right.

MR WATSON: Now, what it was is not the absence of the threat of consequences. It was a body which was just taking measures to evade the impact. I still do not, to
35 this day, understand how union members would be paying a subscription to the union and be told at the end of the year, "Oh well, that cost us another \$10 million in fines." If I was a member paying those subscriptions, I'd be saying I'd rather you stop that conduct and my subscription fees become lower. I say this having been a member of a trade union - which is never fined.

40 **MR COSTELLO:** When we talk about a risk of consequences, the types of consequences you were talking about just then that were evaded, personal payment orders being evaded, were not criminal consequences; they were civil consequences.

MR WATSON: Yeah, sure but if you want to go back and dig into the history of
45 criminal consequences for trade unionists, you are talking about some very, really difficult times which commenced I'm not joking just in the early 1900s and continued right up until and including when Hawke deregistered the BLF.

MR COSTELLO: This is one of the persistent difficulties in this area is the tension between industrial law and criminal law and whether criminal law should be used in an industrial context.

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MR WATSON: Exactly.

MR COSTELLO: And it might be thought, when one looks at the totality of the leadership of at least the Victorian branch, that the concern about having the criminal justice system invade the industrial law space was used to the advantage of what became a criminal enterprise.

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MR WATSON: Exactly.

MR COSTELLO: Do you accept that?

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MR WATSON: Yep.

MR COSTELLO: And so when people are operating in a space that is not entirely but rather than more largely free of the criminal law, there's naturally a greater prospect of criminality flourishing.

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MR WATSON: Of course.

MR COSTELLO: And that's what went on in Victoria.

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MR WATSON: That's really what my report is about, Mr Costello.

MR COSTELLO: And that's why, or that's at least part of the reason why, personalities like Mr Gatto became involved in the building industry. Not for their expertise in matters concerning building or occupational health and safety or even trade unionism, they were there for a rather different purpose.

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MR WATSON: Of course.

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MR COSTELLO: And you've had quite a bit to say about Mr Gatto in the course of your report. You refer to the model that Mr Gatto put in place as the Gatto extortion model.

MR WATSON: Yes. I've called it that as a shorthand label for a method. He uses it all the time. But others were using it.

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MR COSTELLO: Could you just explain the method in general terms?

MR WATSON: Well, the Gatto extortion model can work at two levels. One, this is probably the less common. He would contact contractors and say, "Look, I can stop your site, I can stop work, but you can pay me a consultant's fee and I can ensure that

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the CFMEU will not do that." Now by the way I'm not making this up. There was an interview between Sam Newman and Mick Gatto which is on a podcast. Anybody can go and listen to it but I warn you if you do, you will be dumber for the experience. It's just bizarre. But he said that he negotiates with people on the basis that they're scared of his union connections. So he can do that by directly going to developers and the builders and the contractors.

The other way that he did it was because he had a bunch of tame CFMEU organisers. I've named a couple there but it's been redacted because it would start identifying the sites because organisers usually have a patch. He had a couple of tame organisers who would go and stop a site, and this is no joke. I was told by the contractors that all of a sudden they'd have these organisers come on and say, "Look, there's a problem here with overtime payments, overtime isn't being paid properly and I'm sitting the men in the shed", the expression is sit them in the shed or shed them. I'm sitting them in the shed and the contractor would be dismayed thinking what problem and his phone would go say, "It's Mick Gatto here, I hear you have got a problem. I would like to mediate it for you." So that's the other way it works, whether it's as crude as the other - or each is as crude as the other.

MR COSTELLO: And did you form any view in the course of your investigation of how common it was that these types of tactics were employed?

MR WATSON: Daily.

MR COSTELLO: Daily by Mr Gatto?

MR WATSON: I shouldn't say daily. I don't know I might be exaggerating there. Very common.

MR COSTELLO: And you consider that Mr Gatto was making considerable earnings from his work mediating or arbitrating disputes in the construction industry.

MR WATSON: This is a bit of guesswork by me. I've been privy to some documents as a bit of a - this is redacted in this report but if you cast an eye over the redacted section, you can do a count for yourself and see the number of businesses that I'm aware have been paying money to Gatto because it's going through this means where he has the accountant Charles Pelegrino issue a dummy invoice and so I've seen a list of those. A number of the names of the builders have been redacted but it's the account - in that list I think there's about a dozen and over in the next paragraph there are three others which were redacted, one of which was LTE. Now that's a company owned by Nick Maric. It should have been redacted. There's no secrecy about it, Gatto spoke about it on the podcast.

MR COSTELLO: Were the fees that were charged for these alleged services uniform or did they vary?

MR WATSON: Varied.

MR COSTELLO: And at the low end, what are we talking about?

5 **MR WATSON:** \$50,000. No, sorry - if it's a simple thing like the men have been put
in the shed because of some sort of bogus overtime underpayment, that might only
be 20 grand but if it could be \$50,000. It depends on the size of the building. The
size of the site. Then there were regular retainers being paid which seemed to be
10 maybe 50, maybe 70, certainly occasionally \$120,000. I've seen these sorts of
figures. I got access to this after documents were seized by - I've forgotten which one
of the police agencies, but there's a possibility they wouldn't like it but I did get
access to them but I got access to them. And one of my favourite features of this is
these bogus invoices also charge for GST.

15 **MR COSTELLO:** You have deep experience in anti-corruption related activities.
This is the type of investigation where, had you had compulsive powers, you would
have been able to form much firmer views about this type of conduct.

20 **MR WATSON:** Golly you need compulsive powers because I could have gone and
got bank records. I could have required the people from these named firms to come
and speak to me. Even if they were uninformative that's helpful in a way. All of that
could have occurred. You need compulsive powers to get to the bottom of this.

25 Now, I can tell you something with my relations with the Victorian Police. For that
matter, Queensland Police and certainly with the Australian Federal Police, I have
got great respectful relationship with VicPol and the AFP, but I acknowledge to them
it is a one-way street. I can give them information but they're obliged by their, well,
their statute not to share it with me.

30 **MR COSTELLO:** Yes.

MR WATSON: So, again, my efforts to get to the bottom of this were stymied.

35 **MR COSTELLO:** If that can be brought down, please. In a slightly earlier portion
of your report at paragraph 101, you say that Mr Gatto's criminal conduct has
damaged the building industry and damaged the Victorian economy, maybe
permanently. Is that hyperbolic?

40 **MR WATSON:** It's not at all and I tell you what is relevant to it: This morning just
as I was waiting to come in here I received a call from Jess Moyer who I told you
was the wonderful junior who was brilliant who assisted me in the early days of the
inquiry and we were talking about it and she said, because she has friends who are in
medical services in Victoria, she said how crushing it is that has friends who can't get
45 enough funding for services in hospitals because there is actually an economic
problem in Victoria. Part of that problem in Victoria has come about by the blowout
of costs in the Big Build and Ms Moyer was making the point that this has done
damage to the health industry. I couldn't agree with her more. That's how far it
spreads.

But I want to go further. I also spoke to contractors who said they were offered jobs in Victoria and thought no, I can't do it anymore. I can't deal with Gatto." So things were not being built or if they were being built, were more expensive.

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MR COSTELLO: So you consider that the economic effects of this conduct to travel beyond the building and construction industry and to have more economy-wide consequences?

10 **MR WATSON:** The amount of money that government can spend is limited. It's got to be allocated where it's needed and you cannot leave major infrastructure project like the Big Build, the various aspects of it, half done. Just a terrible outcome. So once started, you're obliged finish it. Who suffers? Those who otherwise might have been able to gain access to the public purse.

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MR COSTELLO: Very significant portions of your report deal with the apparent connection between people within the CFMEU and persons known to be involved in organised crime.

20 **COMMISSIONER:** Are you just moving off Mr Gatto now?

MR COSTELLO: Yes.

25 **COMMISSIONER:** Could I just go back to paragraphs 170 to 172 and 178, which you just gave some evidence about, Mr Watson. I just missed your evidence about what you said about Mick Maric?

30 **MR WATSON:** I had mentioned the business LTE, which is owned by a fellow Nic Maric. M-a-r-i-c. He is very closely connected with Gatto. In fact, in the early days, a number of people told me that they suspected Gatto owned a share of Maric's various business. Maric has got his fingers in several pies. He has got - this is a large part of it - a piling business. Now, piling is incredibly important in civil work. If you don't know what it is, it's those things which you drive into the ground which will end up keeping the tunnel or the road or the sewer or, on construction sites, the building stable. So this is the first step on a site and they use these humongous machines which cost a minimum of a million dollars, maybe \$2 million. Maric has got a business in that sector and that's been a really, really serious concern. If anybody saw The Age overnight, there was an article about a company which had two piling rigs destroyed.

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45 Maric has been the beneficiary of a number of his financial opponents having the piling rigs destroyed, leaving him more and more and more powerful in that market. I've got in the report there that aspect. That's the piling rigs. But Maric is not limited to that. He has also got a precast business. Now, part of that business is in South-East Queensland, I believe in the Gold Coast. I've never been to the site. Actually, I know where the site is beyond it being South-East Queensland, maybe around the Gold Coast. But he certainly is moving into Queensland.

By the way, that's not speculation. That's a fact. When Mr Maric moves in, trouble is moving in, because he is incredibly well-connected with the Comancheros. I detailed some of that in the report. He is a person who works in collaboration with another
5 man who, if we think about Queensland for a moment, is a real concern. John Khoury is a long-time business partner of Mick Gatto. Khoury also seems to operate at least around the Gold Coast, I couldn't find any connection in Brisbane.

10 But bear this in mind, Commissioner, I was looking at violence in Queensland. I was picking this up on the way through. But if Khoury is there and I had evidence of a meeting where both Khoury - where Maric had brought in Khoury and negotiated something with the CFMEU, if Khoury is there, Gatto is there in spirit. They've been long-term partners and Gatto would be getting 50 per cent of the proceeds.

15 These are people that figure heavily in the Victorian report but they may become a presence in Queensland. They already are, actually. I'm sorry I don't think I answered your question, Commissioner.

20 **COMMISSIONER:** No, I was going to say which bit - you said that there's a bit about him that was redacted but shouldn't be redacted. Was that your evidence?

25 **MR WATSON:** Yes. One of the company names which had been paying Gatto consulting fees was redacted somewhere and it was LTE, which shouldn't have been redacted. That's a mistake by me no doubt. The reason why it doesn't need to be created is because I got the information from the podcast. He told Sam Newman, and I guess that eight or 10 people in the world who listen to Sam Newman's podcast, that LTE was paying him and had been paying him for many years, a regular consulting fee.

30 **COMMISSIONER:** And LTE is both precasts, businesses in the precast part of the construction industry and also the piling part?

35 **MR WATSON:** Yes. Or at least Maric is in both but you will see that Maric's interests are spread very widely. He also gets a mention because there were a series of companies which have a frontman. Ante, A-n-t-e, Juric, J-u-r-i-c, a fellow who was jailed for police corruption, a former copper, he has him as a front man on a number of companies which have got the prefix LVL.

40 So you, again, have a lot of trouble if you're me, sitting in my little study at the laptop, trying to get to the bottom of this because I don't have compulsive matters but of these matters I'm certain.

45 **MR COSTELLO:** I just want to take you to parts of your report where you deal with some of this, which is in connection with organised crime and its associations with the CFMEU. Perhaps we will start with Mr Khoury. If we could have page 76, paragraphs 504 and 505 on the screen, please. So Mr Khoury is one of the people that you just mentioned. You say that he is a business partner of Mr Gatto.

MR WATSON: Yes.

MR COSTELLO: A member of the Carlton crew.

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MR WATSON: Yes. Look, by the way, I've done this by treating it, as I can about this, and a lot of it is not sophisticated writings, but there's a dispute about how operative or how loose that thing we call the Carlton Crew is, some people say it's more or less gone since the gangland wars in Victoria but my own belief is it's a useful label to describe these people who gather in Carlton.

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MR COSTELLO: You say that Mr Khoury has received EBAs.

MR WATSON: Mr Khoury has received EBAs. He has got his own as well as Mr Gatto and one thing I like about Mr Khoury is you can do a search, he's got a whole bunch of companies registered which are the names of other really quite respected, eminent firms. So if there was a firm called Watson and Costello, if he's got a dispute with them, he will register a company name which is Watson and Costello (Australia) Pty Ltd. Now, why does he do that, I don't know. But you can get a directors' search it is actually quite remarkable. I couldn't get to the bottom of how you used that, if he ever did.

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MR COSTELLO: Did you understand Mr Khoury's involvement with the CFMEU to be through Mr Gatto?

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MR WATSON: Yes, Mr Gatto was the front man always in their operations. If you, for example, did a Google search, you will find - this might sound like an exaggeration, you would find 100,000 articles on Mick Gatto and you will find 10 on John Khoury.

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MR COSTELLO: Could I have paragraph 505 enlarged, please. As another example of the fact that the difficulties in each state are not necessarily limited to that state or at least the actors in each state are not limited to a particular geographic region, you say that Mr Khoury also works in the extortion racket in Queensland.

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MR WATSON: Yes.

MR COSTELLO: And you have given an example there of him and Mr Maric, who you have spoken about and I will bring you to in a moment, were brought in to negotiate with the CFMEU on behalf of a Gold Coast developer?

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MR WATSON: Yes.

MR COSTELLO: That was information given to you in the course of your investigation.

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MR WATSON: It sure was.

MR COSTELLO: And you were told that Mr Khoury's fee for attending an hour long meeting was \$110,000.

5 **MR WATSON:** I wasn't told it. I saw it. I saw his invoices. I was told it and I saw it, I suppose I should say.

MR COSTELLO: Were you told whether or not the dispute was resolved?

10 **MR WATSON:** Yes, it was resolved favourably to the contractor.

MR COSTELLO: And it's clear, is it, that Mr Khoury there was negotiating on behalf of the CFMEU.

15 **MR WATSON:** No, just the opposite.

MR COSTELLO: Or an intermediary.

20 **MR WATSON:** He came in - the developer knew Nick Maric. He contacted Nick Maric. Maric brought in Khoury. They then organised - or they call it a sit-down or a meet - a sit-down where representatives of the CFMEU negotiated an outcome. Mind you, the developer was excluded from the room. He was there and then was asked to leave and then he was sent an invoice and his problems evaporated.

25 **MR COSTELLO:** That paragraph can come down, please.

MR WATSON: I'm being coy with what I say there because I am award about identifying people in this.

30 **MR COSTELLO:** I understand.

MR WATSON: I've probably already said too much, I'm afraid, but the story needs to be told.

35 **MR COSTELLO:** You deal, then, in this portion of your report with Mr Maric about who you have had quite a bit to say already. Perhaps to begin with 506 and 507, if they could be enlarged, please. How can you become aware that Mr Maric pays Mr Gatto and Mr Khoury a retainer for advice?

40 **MR WATSON:** Because Gatto said so on the podcast.

MR COSTELLO: And this is LTE that you spoke about earlier?

MR WATSON: Yes.

45 **MR COSTELLO:** You then get to the issue of fire bombings that you were mentioning. I just want to properly understand this aspect of your evidence. One of Mr Maric's businesses is a piling business.

MR WATSON: Yes.

5 **MR COSTELLO:** And it happens to be the case that other piling businesses have been afflicted by arson.

10 **MR WATSON:** Oh, yes. And as I say, last night I saw an article come up in The Age about some further fires, they're a company probably, probably - they're quite a prominent company - you've probably seen their rigs around, they certainly operate in Brisbane and I think they've got a site just near here. Delta. Delta had two rigs blown up. Now, of course they're going to be insured but it stops work on the site and other irregularities will have to be brought in. Who are the other people who might be brought in? They might be able to profit from it. Maybe Delta has got additional equipment. I don't know. I'm certainly not suggesting by any of this that
15 Delta did anything wrong.

MR COSTELLO: What has been reported overnight includes that there were at least two fire bombings in January, including an arson attack late in the month outside a northern suburbs family home of an employee of a major construction
20 company, in other attacks on January 11, heavy machine worth millions of dollars was torched at a major South Bank building site.

MR WATSON: That's what I'm talking about, the article that came up last night.

25 **MR COSTELLO:** When you saw that article come up last night, all of that sounded quite familiar to you because you had - you're aware of similar conduct from your investigation.

30 **MR WATSON:** Yeah. To me it's a long-running problem and - you work out backwards where it's coming from.

MR COSTELLO: If we go over the page, it is the case, of course, that some equipment owned by Mr Maric's company has also been damaged in fire?

35 **MR WATSON:** Yeah but I spoke to numerous people in the industry who said, "Wasn't that lucky for Mr Maric when all these fire bombings were occurring." He had two irregularities burnt up which were old broken down irregularities which were overinsured. You work out the rest. I had a wonderful source of information into the fire bombing which I cannot go into but something very bad happened and
40 that's why I worry about the Comancheros. All I will say is this, is that the person who was speaking to me said they no longer talk.

MR COSTELLO: You say in your report that Mr Maric had a close association with the Comancheros.
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MR WATSON: Yes, his business manager was the very, very serious Comanchero and I believe in Queensland he may have brought - I'm not sure about this, he may

have brought Comancheros up here into Queensland. Comancheros were providing some security. It may well have been a connection with Maric which led to them coming.

5 **MR COSTELLO:** If paragraph 510 could be enlarged, please. This is one of Mr Maric's associates with the Comancheros that you identify in your report. The Comancheros Treasurer.

MR WATSON: Yes.

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MR COSTELLO: You say -

MR WATSON: Maybe give evidence - what's your occupation, I'm a treasurer and an arsonist. That speaks for itself.

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MR COSTELLO: Why do you say he was an arsonist?

MR WATSON: He was convicted and jailed for arson.

20 **MR COSTELLO:** And he was also convicted and jailed for firing eight shots at the home of a Victorian member of parliament.

MR WATSON: Yes.

25 **MR COSTELLO:** Is it fair to say based on your understanding of it, that Mr Maric has a web of companies and the extent to which he has an economic interest in them is somewhat opaque?

30 **MR WATSON:** Absolutely. See, that's another thing, Commissioner, if I had the power I would have done some sort of financial search into Mr Maric as well. But you see, you never get to the bottom of that banging away at a laptop.

MR COSTELLO: So these are some of the natural limits of the inquiry of the nature you undertook as to opposed to under compulsory powers?

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MR WATSON: Yes.

40 **MR COSTELLO:** You mentioned in this part of your report which is concerned with organised crime a great many people, one of the people that you mentioned earlier in answer to the Commissioner's question was Ante Juric.

MR WATSON: Yes, I just mentioned him earlier.

45 **MR COSTELLO:** Could we have paragraphs 534 and 535 on the screen, please. This is someone also involved in the practices that you described yesterday in connection with the corruption of the enterprise bargaining agreement process?

MR WATSON: He sure is. Look, there's a connection here and I hate talking about this because there are a few things in life of which I am proud but I am proudly not a racist but what I'm about to say which will involved singling out a group. The connection here it's very strong with the Victorian CFMEU is through people who
5 are either Croatian or have a Croatian background.

There's a central organisational hub which is the Croatian club which is called the Dom, which I believe is short for Croatian word meaning home. And so you'll find, I think, that Juric was former president of the Dom and you will find a lot of
10 connections there and it's actually been a meeting place where John Setka would meet with a number of underworld figures. Sorry, I shouldn't say it was just with underworld figures. He would also meet with union officials and as far as I know, plenty of innocent meetings. But there's a sinister connection between Setka, the Dom and a Croatian community.

15 **MR COSTELLO:** If that could come down please. There's just a couple of other personalities that I want to ask you some questions about, in part because they become relevant to further evidence that you will give. The first is over the page, Mr Luke Moloney.

20 **MR WATSON:** Yeah.

MR COSTELLO: Now, Mr Moloney, you say, was the national president of the Hells Angels.

25 **MR WATSON:** I've got a case study, I'm sure. I hope it hasn't -

MR COSTELLO: I'm going to come to case study 9 in a moment.

30 **MR WATSON:** I hope it hasn't been redacted because that story is amazing. Anyway, go on, you ask your questions and I'll stop raving.

MR COSTELLO: Aside from the particular story that you have in mind right now, what did you come to learn about Mr Moloney's involvement with the CFMEU?

35 **MR WATSON:** Well, the bringing of Luke Moloney into the CFMEU is just a ridiculous story where I was told things by the people involved or said to be involved in it and it's just not believable. Now, I really only pieced this together toward the end of the report and I don't think it's adequately covered in the report.
40 But you will see there in 539 there's a reference to an incident where Moloney was involved in a man being bashed with a baseball bat. Moloney was holding a big knife at his face while he was being bashed. One man was doing the bashing and a third man was holding him down.

45 Now, those three men were all members of the Hells Angels. Luke Moloney, Eliseko Seko and I've forgotten the name of the third one, forgive me. But the point is, just around the time of the bashing or at the time the bashing was coming to court, each

of the three men, by coincidence, was appointed either a site delegate or a health and safety representative by the CFMEU. I might have said this to you yesterday.

5 But the timing of meant there was something going on, somebody was being paid to get them these jobs or -

MR COSTELLO: Can I just pause you there for a moment.

10 **MR WATSON:** - it was just pay off for some reason.

MR COSTELLO: If those paragraphs could come down and we could move to page 118 and if I could have paragraph 801 enlarged.

15 **MR WATSON:** Sorry, there we are. Luke Moloney, Kane Montebello and Julian Assafiri. I had got that wrong with the name "Seko".

MR COSTELLO: You say three men who happened to be involved in the one bashing were each made delegates within a period of four months.

20 **MR WATSON:** Yes.

MR COSTELLO: Which you considered not to be coincidental.

25 **MR WATSON:** Well, not only that and now going back to your question, what I was told about the appointment of Luke Moloney was just rubbish. I was told by the organiser who got him the job, this fellow called Gerry McCrudden, and what happened was, he was there with another organiser, Rob Janjic, J-a-n-j-i-c. The two of them were sitting in a place called Noodlebox, probably don't have them - we don't have them in Sydney but they have got them in Melbourne. Seems to be a chain
30 of Asian restaurants. And they're just sitting there, minding their own business, having their lunch, when a man came up out of the blue, a man Gerry McCrudden didn't know, introduced himself and said, "I'd like to get recognised" whatever that means. And McCrudden said that, "Well, yeah, sure."

35 And he said that after the man left, he found out his name was Luke Moloney. Rob Janjic said, "Do you know who that is, that's Luke Moloney, head of the Hells Angels." And Gerry McCrudden told me, I was sitting there with him when he was telling me, and he said, "What I did was I rang up Luke Moloney and said hold you are going to have to drop your colours if you're going to be recognised," to which
40 Luke Moloney said, "Of course I will. I can't just now because I'm doing something", which was face the criminal charges.

Hells Angels dropping their colours, it's not the way it works. But anyway put that
45 aside. It's on that basis that McCrudden said that he was appointed - Moloney appointed a health and safety rep. I can't see that he had any experience, I can't see that he had any training for the job. I brought in Rob Janjic and said, "Well, were you

there when this happened. He said no I've never met Luke Moloney." The whole story was bizarre.

5 **MR COSTELLO:** All right. I was going to take you to case study 9 but perhaps what I might do is take you to case study 10 first and we might break down a little of the story you have just been explaining. If we could move to page 115, please.

10 **COMMISSIONER:** Just before you do, can I ask one other question about Mr Maric and the piling business. You said, Mr Watson, that these rigs are worth a million, maybe \$2 million. How much time does it take to replace such a rig if you lose one of them. Where do you buy it from, how long is the waiting time, et cetera?

15 **MR WATSON:** That's a crackerjack question because it's actually quite complicated. There are a very few dealers in piling rigs in Australia in the industry they very well-known. The piling rigs themselves are imported. So if you want to buy a piling rig, you just don't line up and take it home with you. You might have weeks or months to wait for it to arrive. Now, there is the same dealers do this, there is a service by which you could hire an older rig if you needed one in the short-term, so there is that kind of thing going around.

20 That very delay is something which is a pressure point in terms of who controls the piling industry, because I'm being careful what I say, if you could apply pressure to the man who can hire out the rigs you can leave your opposition without anything and they'll just have to terminate the contract. And the contract will be allocated to
25 somebody who happens to have rigs.

MR COSTELLO: If we could move to page 115, please. This is where --

30 **MR WATSON:** I'm being deliberately coy, Commissioner, for reasons of safety. Not for me; for somebody else.

MR COSTELLO: This is where you deal with Mr Moloney joining the CFMEU, case study 10.

35 **MR WATSON:** Yes. They'll probably tell the story, I've probably be raving on unnecessarily.

40 **MR COSTELLO:** And so you say that Mr Moloney wasn't just a member of the Hells Angels but you say he was the worst kind of violent bikie.

MR WATSON: He was a Filthy Few award winner.

MR COSTELLO: For those unfamiliar with these things, what's that mean?

45 **MR WATSON:** Well, everybody's heard this probably the expression that somebody's a patched bikie. That means you pass from being a thing sometimes called a scout or there are other names for it where they're considering you for

membership. When you are patched, you're a member. Even when you get in, you could win other patches because of their service. It's a little bit like the Boy Scouts. So the best one, Hells Angels can give you and Hells Angels is an international organisation originally starting in California but the top level award is the Filthy Few badge, which means that on behalf of the Hells Angels you've undertaken an act of extreme violence. You can picture in an organisation like the Hells Angels what it takes for some act of violence to be called extreme.

10 **MR COSTELLO:** So that's part of Mr Moloney's background, at least, but then you say at 786 and following that notwithstanding the fact that he was on a charge of assault had criminal convictions for violence and intimidation, drugs and possessing weapons, he was appointed a health and safety representative for the CFMEU.

15 **MR WATSON:** Yes. That seems odd to me.

MR COSTELLO: And that appointment came about at a time when he was awaiting trial for what you describe as a vicious assault.

20 **MR WATSON:** Yes. Admittedly he wasn't hitting the man with the bat but he was waving the knife in his face. I went and found I was able to find on the internet newspaper articles describing it all. It was harder to get court-related documents but there were some statement of facts by the police because I think Julian Assifiri pleaded guilty, so I was able to read what the police put forward and the accused had accepted was an accurate statement of the facts from the event. It was pretty bad. Did I tell you why the man was being bashed?

25 **MR COSTELLO:** No.

30 **MR WATSON:** He was trying to leave the Hells Angels or join a different or rival gang.

MR COSTELLO: I see. So obviously that is an appointment to somebody in a role concerned with health and safety that seems very unusual. You sought to understand how it came about?

35 **MR WATSON:** Yes. This is probably also covered in the report known as the interim report, the very first one that I did.

40 **MR COSTELLO:** And so far as you were able to ascertain, it was Mr McCrudden and Mr Myles that were responsible for this appointment?

45 **MR WATSON:** Yes. Well, certainly Mr McCrudden. I've just forgotten off the top of my head why I think that it was Mr Myles. Maybe I saw some of the paperwork. There was a little form and I actually put a picture of it, of one of them, somewhere in this report about the appointment, I think of Muhammed Sayan which can see that people give absolutely bare minimum details but it usually has the person who put them forward as a candidate.

MR COSTELLO: The only explanation of any detail given as to why it was that Mr Moloney was appointed health and safety rep for the CFMEU was the one that you already mentioned that Mr McCrudden made about being approached out of the blue, while sitting at Noodlebox, by Mr Moloney.

MR WATSON: Yes. Which I regard as being deliberately false or at least the account given to me was deliberately false.

MR COSTELLO: Did you, in the course of your investigation, give any consideration to whether there were qualifications or regulations concerning who could be appointed a health and safety rep?

MR WATSON: I tried to get to the bottom of that and I had a lot of trouble doing it. You will recall that this was a problem with the administration when I was doing the report because they said I had got it wrong and it was true. I was drawing on my understanding of the industry, which was outdated. Now, this is Victoria. I'm not sure the same thing happens here in Queensland. I've got to tell you right now, I think it doesn't. I spoke in the Queensland report about the organisers and where they had areas and the delegates.

Normally delegates were a respected long-term member of the particular workforce. This is historically the case. And quite often, the delegate would be a man who had hit about 50. This worker is incredibly burnt out and it was a man who would be given the job because it might be that he could then relieve himself of some of the heavier tasks. But, and this is something which does feature in the report because it was the subject of a correction, is that in Victoria at least, I'm not sure about Queensland, they have a thing called a site delegate.

So if you've got a big site, you've got one - on a really big site, two - people who the CFMEU just plonk on to the site who oversee the lot. Then there will be a lot of individual delegates, some of whom are of the kind that I described, who are employed by the individual employers. Now, I tried to get down to how you select them and how you pick them and I was told a pack of lies by people who were involved in that.

But it seemed to me as though whatever the system was supposed to be, it had just got to the point where individual organisers or perhaps somebody even higher up in the executive were selecting and having people appointed as these delegates at their choice. So they were appointing friends. If it stopped there, I don't think there's probably too bad. At least you know what they're like.

I mean, I've got in the report there that during the Heydon Royal Commission, Setka was seen, for example, got his brother-in-law appointed as a delegate. I mean, maybe family and friends that wouldn't be so bad but it's troubling when they are drug dealers and bikies.

MR COSTELLO: Let me just try and understand that a little bit more. My question to you then was concerned with health and safety representatives. Do you have an understanding of the difference between a health and safety rep and a delegate?

5 **MR WATSON:** Yes. Health and safety rep in Victoria is very, very heavily regulated by statute and it can only go to a certain person who has got certain credentials, et cetera et cetera. I tried to get to the bottom of how they were selected and I just couldn't and I tried to get to the bottom of whether they were trained. I gave lists of names but the administration was helping me completely. I had three
10 people who work in the administration at various times trying to give me this information about when did they undertake their training, did they receive any certificate or the like? And it was really hard to trace it back through records.

15 One of the people who had been a health and safety representative told me his story. He had suffered an injury on a site. That's the ideal sort of person, an experienced worker who can get back into a useful job on a building site, even though they've got an injury, by training and becoming a health and safety rep.

20 Now, this particular man told me about it and he said I've forgotten whether it was a three or four week course. It wasn't full-time but there were lectures, it was compulsory attendance and there were exams and he went through it, got through, and had a job as a health and safety rep.

25 I couldn't find the records to show that a lot of the problematical characters had ever been through a similar kind of thing, but I know it exists because one man told me about it. It sounded, actually, quite a good course. I believe that the training centre set up by the CFMEU in Victoria was regarded as one of the best in the country and that indeed other trade unions send their health and safety reps to be trained at it. But when it came time to try and find how it was that some of these people got into these
30 positions. I just couldn't get the records.

Now that could be poor recordkeeping and they went through the course but there we are. You draw your own inference.

35 **MR COSTELLO:** In respect of Mr Moloney, you say at 786 which is the top of the screen there that he was appointed a health and safety rep by the CFMEU. If we go over then to paragraph 801, this is a paragraph I've taken you to once already speaking about the three men involved in the bashing, you say in the second
40 sentence:

"Luke Moloney was made a delegate on 13 September 2023."

MR WATSON: Yes.

45 **MR COSTELLO:** Was he both?

MR WATSON: I'm not sure. The thing is that you can both a delegate and a health and safety rep, or you can be a delegate, or health and safety rep. Or at least the form seems to say that. If I am right in delegate there, it's probably because I saw a piece of paper where he's nominated as a delegate rather than a health and safety rep and
5 I may have got that wrong about him being a health and safety rep, I may have confused him with some others but it's still the same thing. If you are a delegate, you have got to go through training.

10 If, for example, anybody in this room who isn't or hasn't been a delegate would have trouble going to a building site and calling up the contractors' books and checking up whether they were up to date with workers comp, Cbus, redundancy funds. You wouldn't know what to look for or even what to ask for; you've got to be trained to do it.

15 So I was given, not because I was being made a delegate but just so that I could look at it, the box with things in it which are given to a delegate which permit the delegate to be able to identify themselves as a delegate and it talks about their training and it welcomes them for becoming a delegate and it's a treasured, honoured position.

20 Well, in fact, I'm sure, can I tell you, I bet you there's a lot of really fantastic delegates out there and I don't want to tread on their toes. It's just that their numbers have been infected with some people who are not trained, not experienced and not even turning up to work.

25 **MR COSTELLO:** And that's part of the reason I'm putting this line of questioning to you because obviously one of the things that Commission of Inquiry of this kind is required to turn its mind to is the appropriate regulatory structures to avoid plainly inappropriate people being put in positions of power. And this seems a paradigm
30 example of somebody, whether he was a delegate, health and safety rep or both, who is not appropriate person to be in any such role. Have you got any particular views, and if you don't have developed views of course it's fine, about steps that need to be taken to avoid plainly inappropriate people being involved in the trade union movement?

35 **MR WATSON:** Well, I certainly do have some views. Whether they're able to be implemented, whether they're practical, I can't tell you but at least it's a start. In the first place, if you're a delegate you're a health and safety rep appointed by the CFMEU, you're amongst those people who are classified or characterised or just
40 described as an official of the union. You're a union representative. The CFMEU should have complete control over anybody who holds one of those positions.

45 And obviously like any serious job where you're an official of an organisation, there should be some sort of vetting process which would prevent the appointment of undesirables. There should be some kind of training process which would weed without people who weren't capable of doing the job and qualifying those who are capable of doing the job and there should be a third process which should enable you to get rid of them.

Now, I think I've started all this by saying in the last few weeks I've become aware that some of the former organisers from the Victorian branch had been made redundant, wandered around the corner and got a job as a delegate. I do not know,
5 because I'm now no longer involved in the job, about how on earth that could happen and why it isn't the case that the CFMEU itself can't just say, "No you're not" just as they could say it to anybody provided you're not doing it on the basis of race, religion or gender.

10 Then you're entitled to pick and choose who is a representative of your organisation. I just can't see how it is that you couldn't control it. And I rang up the Craig Newton investigator at the CFMEU, who is a fantastic fellow and really good at his job, and just urged him, I said I just reckon what you ought to do is get every delegate's name brought back to you, check the records, check their training records, every single one
15 of them, and maybe interview them again to see whether or not -

COMMISSIONER: That really depends upon the nature of the union rules in question because each union might be different and subjected to any statutory overlay. The union rules in question might just say, "These people who are delegates
20 in the workforce are elected by the workers and the workers are free to elect whoever they want and we must, the union, recognise them." The union rules might say something else. They might say we have the right to choose amongst the people in that workforce who are delegates and therefore we can impose limits. It really just depends -

25 **MR WATSON:** You must have been in on the conversation because that's what Mr Newton said to me. He said, "Look,,I understand this is how the rules work" and we had a bit of a friendly conversation about it in which I suggested if that's the case then the rules should change.

30 **COMMISSIONER:** Well, that might be the answer. That might be the answer.

MR WATSON: Yes.

35 **MR COSTELLO:** This is part of the difficult balance of the extent to which regulation can interfere with what's at least intended to be for most unions will be the internal democratic processes of the union.

40 **MR WATSON:** Look, can I tell you, I've met some delegates through some of these things and they have fantastic guys. Some of them are really fantastic people. In fact, you know, exactly the sort of person you want on a site. I've got a couple pictured in my mind while we talk about it and that's great. I'm talking I'm only talking about a process which would enable the union to weed out the bad eggs.

45 **MR COSTELLO:** Well speaking of people who might meet the description you have just given, if we could move to page 82, please. I just want to introduce two more names perhaps before the break and then I want to come to case study 9 after

the break but before then the first is Johnny "Two Guns" Walker who is dealt with pages 82 and 83. If perhaps paragraphs 544 and 545 could be enlarged. And while that's happening, Mr Watson, perhaps you could tell the Commissioner who Mr Walker is.

5

MR WATSON: Well Johnny "Two Guns" Walker is - he was a boxer and a Bandido. Now, I've read a lot about this, including the sentencing, so this is what I've got from that. A man, a silly man, was walking past the Bandido's clubhouse and there was a dog out the front ,I believe it was a pitbull terrier, and the silly man riled the dog up. I don't know why but he riled the dog up so that it was getting angry. It was on a chain at the front of the clubhouse. So Johnny "Two Guns" Walker and two other fellows inside brought the man in and they beat him to death inside the clubhouse.

10

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They then got his body and they rolled it up in a rug. One account I read said that they dumped the body in East Keilor. One newspaper report said that where the body was dumped, it was dumped over a fence of the cemetery in East Keilor. I mean, I just can't believe a human life ends that way. They were caught. They were going to trial and the Crown, in their wisdom, accepted a plea of guilty to manslaughter for each of those three men, making those three men three of the luckiest men in Victoria.

20

But put that aside.

25

MR COSTELLO: You say -

MR WATSON: Johnny Walker got out of jail. Before he got out of jail he'd already had a job lined up with the assistance of Spervovasilis who wrote to the Parole Board to say that he had a position lined up. Elias Spervovasilis was, of course, assistant secretary of the CFMEU.

30

Now I will tell you something. I did look for the records of Johnny "Two Guns" Walker. He did undergo the training. I will tell you something else. I actually spoke to the people who employed him and they said that he was good. I spoke to some of the other men and they said that he was a keen, good delegate. I think he was the health and safety rep. They said that he was actually very good at the job but there are some rather unfortunate incidents and he does seem to have some friends who are not so good. If anybody wants to see what Johnny "Two Guns" Walker is like, he featured on his own 60 Minutes episode in which I got a mention. I was a bit worried about it afterwards. Let's put it this way, I never told my wife about it; he is an intimidating character. I'm sorry, I spoke over the top of you.

35

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MR COSTELLO: No, not at all. Not at all. The "Two Guns" is not referring to a pistol.

45

MR WATSON: It's muscles in his arms. It was a boxing title.

MR COSTELLO: The other character I wanted to introduce is Joel Leavitt. If 546 to 549 could be enlarged, please.

5 **COMMISSIONER:** Just going back to that for one moment: are you saying that Mr Spervovasilis wrote to the Adult Parole Board advising Mr Walker would be employed by CCL Labour as the health and safety representative or did that -

10 **MR WATSON:** I don't know that had specified as a health and safety representative, it's just for some reason or another, Mr Spervovasilis was writing to the Parole Board saying that Walker had got that job. Now, I don't know how or why Spervovasilis was involved in it.

15 **COMMISSIONER:** Subject to anything in any enterprise agreement, the legislative regime that has applied since the sixties in the UK and Australia is for the election of health and safety representatives by the designated work group on the basis that the thinking underlying it is that the workers who have got direct experience of that type of work at that worksite are the ones best able to work out who should be the health and safety representative from amongst their group.

20 And therefore, an election takes place and that person elected by that work group becomes the health and safety representative. It doesn't, unless there's something in some enterprise agreement it's quite inconsistent with the policy that's underpinned the move from compensation, which was an earlier policy, still continues but 50 years earlier, but the current policy of the focus on prevention by appointment from 25 amongst the members of a work group or one of their own as the health and safety representative.

30 **MR WATSON:** May I say, I respectfully agree everything you just said. That was my understanding and when I looked through the rules, I even looked for whether or not there was some scope to evade that. Now, I'm not sure with Mr Walker. This was suggesting that he was going to CCL Labour. Maybe he went from CCL Labour, which is a labour hire company, you might guess, to being a full-time employee of the one of the contractors. But Commissioner, I would go further and say I just can't understand how somebody could be working for a labour hire company and be 35 a delegate because it just doesn't seem consistent because you're voted up by the workforce and CCL Labour might be on one site one day and on a different site the next but it just doesn't seem to work and this is where the rules were being broken left-right hand.

40 **COMMISSIONER:** A delegate has got broader roles and as I said it just depends on the union's rules, some unions might be more control and they appoint delegate. Most are ground up, that is, they allow the workforce to elect a delegate. But for a health and safety representative, subject to anything contrary in any enterprise agreement, that's something governed by legislation and the policy underpinning it 45 for the last -I haven't checked what's happened in the UK but it came from the UK, it came to Australia, the last 75 years it has been - it should be one of election from the workforce of one of their own.

MR WATSON: Exactly.

MR COSTELLO: In the course -

5

MR WATSON: I think I've bored everybody with my own personal experience. I still remember the delegate on the sites I worked for he was a lovely man and he was put in that position because he was a bit older and because he was a lovely man.

10 **MR COSTELLO:** And you didn't come across any evidence of any of the people that were appointed to health and safety roles that we've discussed in the course of your evidence being elected to those positions?

15 **MR WATSON:** I can't tell you. I looked for this. And then what happens is, it sort of becomes fruitless after a while. I had, as I say, three young lawyers assisting me with trying to find these records and they are pulling up blanks. And, not only that, I mean I've, I guess, got these emails somewhere on my laptop, what I was getting with things, which were totally inconsistent, the CFMEU records won't
20 show - a member since a date and then there's a second record somewhere saying a member since another date. Some of them would then say that they were a member on a particular date. This happened with Muhammad Sayan, I think. They were appointed health and safety rep on the same day.

25 **MR COSTELLO:** Commissioner is that a convenient time?

25

COMMISSIONER: Yes, thank you, Mr Costello. We'll adjourn until 11.30.

<THE HEARING ADJOURNED AT 11.15 AM

30 **<THE HEARING RESUMED AT 11.30 AM**

COMMISSIONER: Mr Costello.

35 **MR COSTELLO:** Thank you, Commissioner. Could I have the document back on the screen, please, and page 83 and those paragraphs 546 to 549 enlarged. Mr Watson, who is Joel Leavitt?

40 **MR WATSON:** Joel Leavitt is a bikie. He came from Queensland. He was, well I believe involved in the union up here and because of something that has happened, I have had reason to reflect on how he came and where he came from. I know that he had a criminal conviction up here because there was a riot on the Gold Coast. And I looked at the court papers and the sentence given by the magistrate who recorded that Mr Leavitt was going to be rehabilitated because he was changing his ways and going to train as a hairdresser, but he didn't. He followed a group of Queenslanders
45 down to Melbourne and on reflection, I think he followed them later. Those Queenslanders were headed by Joe Myles and Mick Myles. They're brothers, by the way.

What had happened was the BLF in Queensland was never deregistered and it continued here for some time. Now, I can't put the exact date on it just sitting here now but BLF and the CFMEU amalgamated. Fused. Ravbar was, of course,
5 CFMEU. Hanna had been the secretary of the BLF, became the president of the joint union.

So there are a whole bunch of officials from the BLF who came in to the CFMEU. On the way it was explained to me, was that Ravbar wanted to exert greater control
10 over the fused union. And he went about trying to push out the old BLF officials who included Joe Myles and Mick Myles, and others. And the way that they were pushed is that they were sent to other places. Most of them went to Victoria, I know a couple went to South Australia. Now, this is what I believe to be the case but of course getting this information down and nailing it down has proved impossible.

15 I believe that Joel Leavitt followed them down to Victoria. Joe Myles is - and I've described elsewhere in the report - is ambitious and powerful, charismatic figure. He was given control by Setka of the civil side of the CFMEU operations in Victoria. That previously had been very small because that's where the AWU dominates.

20 The previous head of that had been Ralph Edwards but Joe Myles was given control of it. And it was from there that the massive push to drive the AWU off the sites started. Leavitt was a delegate but he was really a full-time bkie. As I understand it, such work as he did for the CFMEU in Victoria was mainly done from the Rebels
25 clubhouse. I've heard a lot worse about him. And the story which brought him to public prominence was one night he was dropped at a hospital having been shot.

Now, naturally when talking to police, he couldn't remember anything about it and didn't know who did it but it seems to have happened in the Rebels clubhouse. The
30 police looked at CCTV and saw the car which had dropped him at the hospital, they found that it was the car registered to the Victorian Government and had been assigned to Joel Leavitt enter his capacity as a health and safety rep.

Well, he continued in that position and he was extremely powerful and he was, and
35 I described the circumstances in a chapter called the Battle for Hurstbridge, moved on to this site at Hurstbridge. Now, Hurstbridge was an especially big and complicated site which was especially lucrative. Because it was a rail upgrade to keep the commuters travelling, the builders could only have control of the site early in the morning before the commuters arrived or at night after the commuters have
40 finished their job and there was lots and lots and lots and lots of weekend work.

So Hurstbridge was incredibly lucrative because lots of the work was out of hours work and paid at overtime rates and Leavitt was the most powerful person. On
45 Hurstbridge, he was the site delegate, as I understand it. That gave him the opportunity to say who would or not work a shift who would work or would not work at all and there are even more serious studies, which I cover in the report. I'm only being hesitant about how far I go into that because of those concerns that

especially affect Victorians because Mr Leavitt was arrested this morning for, I believe, for extortion.

5 **MR COSTELLO:** What did you say he was arrested?

MR WATSON: He was arrested this morning.

10 **MR COSTELLO:** He was arrested morning, Mr Watson, as part of the work of Taskforce Hawke.

15 **MR WATSON:** Yes, that's the taskforce I was talking about yesterday; the specialists working around the CFMEU. I think that my own judgment of Mr Leavitt is that he is an extremely dangerous character and, oddly enough, yesterday as I left here, I don't generally suffer from this, but I was a little bit worried. I just was really worried about some retributions from yesterday. Let's just say I felt a lot easier when I saw that article that he may, at the moment, be behind bars.

20 **MR COSTELLO:** The details of the charges are scant at least in the reporting that I've seen but the extent of the allegations or the extent of the reporting at least appears to be that the charges are in connection with extortion of a building company.

25 **MR WATSON:** Yes. I'm going to say this, I've had a lot of harsh things to say about Leavitt, and all I can say is that I'm not backing down from any of them.

30 **MR COSTELLO:** You mentioned Hurstbridge; perhaps we should touch on that. It's an important account in your report, if we could move to page 56, please. I think you described it as the Battle for Hurstbridge, in fact you called it The Struggle for Control of Hurstbridge in your report.

35 **MR WATSON:** Yes. I should make a point here, although I'm focusing on Hurstbridge and I've referred to that a few times in the report, I picked it out because I had more information about it. It was an especially difficult place. I know, for example, that all of the contractors who I spoke to at Hurstbridge would hear the words Hurstbridge and say, "Oh no, none of them made money." It ended up being a loss for everybody involved. It was a disaster. I've used Hurstbridge as an example in the report but I could have covered four or five or even more other particular sites and said, "Here are the problems at this site." I used Hurstbridge as an example. It's probably a fairly - probably the most graphic example that I could - but the point is, it was not the only place.

40 **MR COSTELLO:** Just before we come to Hurstbridge, to close off on one aspect of Mr Leavitt which is relevant to the exchange you had with the Commissioner before the break where the Commissioner explained the statutory regime for appointment of health and safety reps and the ordinary need for election, you say in your report that you saw documentation that demonstrated the fact that Mr Leavitt had not been elected. He was appointed in April 2019. You say at 547:

"The paperwork shows that there was no election. It simply says he was elected by Mr Tzimas."

5 **MR WATSON:** It's pronounced Pzimas, P-z-i-m-a-s. Yes, Paul Tzimas is an - in his day an extremely powerful organiser of the CFMEU and a lot of the records that I showed for the problematical figures being placed at sites all over Melbourne were often where it said - it would ask for the date upon which somebody was voted into the position and it would say "Paul Tzimas." Now, I don't know what all that means
10 and, to some extent, this came too late in my inquiry but when Mr Irving quite properly corrected my report and said you don't understand how the system works, there is this concept of a site delegate. Now, it could be Commissioner that there's something in the rules which says the union itself can just pluck out a person to make them a site delegate. It could be that that's what's operating. I don't know about it.
15 And as I say, I was told to make these corrections, I think, on 21 January and then a couple of days were lost to me through the editing process with the report having to be completed by the 26th of January.

20 **MR COSTELLO:** And so as you sit there now, are you unclear about whether or not Mr Leavitt was a health and safety representative or a delegate?

MR WATSON: I've got a feeling that he was both.

25 **MR COSTELLO:** All right. The start of -

MR WATSON: I tell you right now: I proposed that idea regarding these being drug distribution centres about how it worked, so when I did that -

30 **MR COSTELLO:** I think you had better step back a little bit.

MR WATSON: Sorry. Okay.

35 **MR COSTELLO:** What are you talking about when you are talking about drug distribution centres?

MR WATSON: Well you put up on this screen just there, The Struggle for Control of Hurstbridge.

40 **MR COSTELLO:** Yes.

MR WATSON: I tell you why there's a struggle for the control of Hurstbridge. There are two reasons. One, it was an unusual lucrative site for the workers and, two, it was a big site. And the struggle for Hurstbridge was mainly by - it was being used as a drug distribution centre. After I started forming this idea, I then went to the trouble of going to all who would know. Not union people, not tattletales; people
45 who knew about what was going on who were trying to work out how to control (inaudible) Victoria and since then and after this report has been submitted, I've got

further information which would suggest that it is exactly right to say that these places with being used by outlaw motorcycle gangs as drug district points. If the drugs weren't being delivered there, on one account I received, the deals would be organised from these sites.

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MR COSTELLO: So Hurstbridge was a large site, as you said, about 500 workers on a shift.

MR WATSON: Two shifts, 500 on each.

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MR COSTELLO: And in the course of your investigation, you came to hear many stories about difficulties in connection with the Hurstbridge site.

MR WATSON: Oh yes.

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MR COSTELLO: And what was the nature of those difficulties?

MR WATSON: It was terrible. There were all kinds. I've heard this from several contractors. I've also heard it from people who were on Hurstbridge and who worked there. The site was way overstaffed. There were people working at Hurstbridge who were unnecessary. They were just there as supernumeraries collecting pay. It became a nightmare for the contractors because the jobs kept stopping and there were lots of claims of bribery and extortion on Hurstbridge.

20

25 Everything that could go wrong, went wrong. I know for some of the Big Builders one told me that within their own calculations, it was decided at a very high level which was "we are bleeding on this contract." Let's just get it finished and move on to something elsewhere we may be able to make money. It was a nightmare for the contractors; everything went wrong.

30

MR COSTELLO: To be clear this was a rail upgrade. This was public infrastructure work.

MR WATSON: Yes, Hurstbridge is a railway station.

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MR COSTELLO: And -

MR WATSON: I'm not actually sure of the whole scope of works but they must have been very large to command that kind of staff in two shifts.

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MR COSTELLO: Part of the point of telling the Hurstbridge story in your report is -

MR WATSON: (Crosstalk) when you say about what went wrong.

45

MR COSTELLO: Yes.

MR WATSON: I was even told by one contractor that when Hurstbridge was finished they couldn't kill it. They were trying to get off the site. But they had, there was still workers there who were dismantling things like, you know, canopies and shade areas and that sort of thing and that even dragged over weeks, a job which normally takes a couple of days, because it was held up. So the nightmare continues as it were, it's like the end of the horror movie where the bad guy comes back to life. Sorry, I interrupted you.

MR COSTELLO: Did you speak with contractors in connection with Hurstbridge?

MR WATSON: Tonnes. Sorry, not tonnes, maybe there were literally tonnes if you added them all up because some of them were quite big. I spoke to several different kinds of contractors, big and small.

MR COSTELLO: And aside from the fact -

MR WATSON: Sorry and I'll go further, I spoke to health and safety reps who worked on that site. I spoke to, I think, at least one civil engineer who was working on the site and these are the people who are supposed to come on and say, "Yeah that's job has been done properly I'm certifying it for safety reasons." That story was especially chilling. I spoke to a number of different kinds of people about Hurstbridge.

MR COSTELLO: Hurstbridge isn't just a tale of another public infrastructure project that has run over time and over budget. The point of Hurstbridge is that it's demonstrative of the interconnectedness and entanglement of the CFMEU and outlaw motorcycle gangs.

MR WATSON: Yes.

MR COSTELLO: And the problems in Hurstbridge were, in large part, problems arising from the fact that the site was beset with bikies.

MR WATSON: Chock-a-block. It was headed by a bikie, Joel Leavitt.

MR COSTELLO: And there were bikies from different clubs.

MR WATSON: Yes. The Comancheros were also well-represented and I describe that time when there was an involvement by, well, the Rebels put it on a display. One or more of the accounts told me were to the effect of the Comancheros came on the same day. The event was actually quite a problematical one because there were Rebels going around the site and there had been some kind of official visit from some of the bureaucrats. And the contractors were telling me that they were trying to shuffle the bureaucrats here and there on the site while not allowing them to get to or where that there were bikies roaring around the site and how they went to some lengths to try and keep them segregated from this because it was quite embarrassing.

MR COSTELLO: If those paragraphs could come down, please. I just want to close off on this outlaw motorcycle gang issue, perhaps I might do it by - if we could go to paragraph - sorry, page 111. Case study 9 in your report is entitled the bikies arrive. Now, in some respects, the material there is repetitive of matters we have already mentioned.

MR WATSON: Yep.

MR COSTELLO: But one thing that that case study usefully does is show a range of personalities who you have identified as being members of, and in many cases senior members of, outlaw motorcycle gangs that had intimate connections, formal or informal with the CFMEU.

MR WATSON: Yes.

MR COSTELLO: And if we go through case study 9, you commence with Mr Leavitt who you've just been giving some evidence about. And then over the page, Mr Moloney, who you've spoken of.

MR WATSON: Yes.

MR COSTELLO: Mr Walker.

MR WATSON: Yes.

MR COSTELLO: "Two Guns". Tyrone Bell. You haven't spoken about him but he's another person with connections to a outlaw motorcycle gang. In fact, he was very senior within the Mongols.

MR WATSON: Listen, these people were not just patched members. They were leaders, either chapter presidents or, in some cases, national presidents.

MR COSTELLO: Over the page, Marty Albert, who was sergeant-at-arms of the Bandidos.

MR WATSON: Sergeant-at-arms, you know, in most of the bikie gangs is the person in charge of what's called "discipline." You could see the name there, Joel Brown, if you are interested, if you go and have a look at the riot which occurred at the CFMEU headquarters over the very strong position taken by Setka about COVID. Rare that I agree with things Mr Setka was doing but he was trying to enforce safety and there were rights about it. Joel Brown came out of the building and started disciplining some of the people attending the protest. Oh boy, it's ugly. It's shortly after that, Setka promoted him, he got a job as a health and safety delegate on the back of it.

MR COSTELLO: Mr Albert, who we were dealing with, the sergeant-at-arms for the Bandidos he was one of the number of people moved from Queensland.

MR WATSON: He was one of the Queenslanders. I don't want to tread on too many toes but the Queenslanders caused a lot of trouble down there.

5 **MR COSTELLO:** Over the page, Dean Martin, not the crooner.

MR WATSON: This is one of these things where it nearly drives you mad as an outsider going to Melbourne. Everybody knows Dean Martin because he is related to some famous footballer but he was a very serious bikie and he also was involved
10 with his brother in some very celebrated cases because his brother was deported but Mr Martin discovered a degree of Aboriginality which had previously gone unrecognised and was unable to be deported, following a decision of the High Court.

MR COSTELLO: Did you say he was related to a famous reporter?
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MR WATSON: Footballer.

MR COSTELLO: Yes, thank you. And he was the national president of the Rebels?

20 **MR WATSON:** Yeah.

MR COSTELLO: Mr Montebello.

MR WATSON: Yes.
25

MR COSTELLO: President of the Dark Side Chapter of the Hells Angels.

MR WATSON: That sounds promising, doesn't it?

30 **MR COSTELLO:** And a kickboxer. He became a delegate.

MR WATSON: Yes.

MR COSTELLO: Mr Assifiri.
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MR WATSON: Yes.

MR COSTELLO: Another sergeant-at-arms. This time Hells Angels.

40 **MR WATSON:** Hells Angels. He is - Montebello and a superior, Moloney, were the three that I mentioned earlier that were involved in belting the man with the baseball bat.

MR COSTELLO: Mr Seko was a patched Rebel?
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MR WATSON: Yes.

MR COSTELLO: Also a Rebel was Mr Corkran.

5 **MR WATSON:** Yes. If you can catch with Mr Corkran he is on one of the social media things, whether it's Facebook. I don't do any of this stuff but I get sent by people things that he posts. He's a very strong fan of the old regime.

MR COSTELLO: You mean Mr Setka's regime?

10 **MR WATSON:** Yep. I give a list somewhere of the connections with the outlaw motorcycle gangs and I list people. And they're not just the officials of the CFMEU but other people who have received EBAs from them and the like or who are connected with them. It's really hard to work out where they came from because in the early days which I was able to talk to some of the executive officials, they kept saying it's not a problem. I don't know of any bikies. It's just not true.

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MR COSTELLO: You say that at paragraph 750, if we just go up to page 111, you make that point at the start of case study 9:

20 "According to the Setka era CFMEU, bikies were not a problem within the CFMEU."

MR WATSON: One after another, they said that. Setka himself denied they were a problem yet he made a PTSD claim based upon threats he had received from bikies. So work that one out.

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MR COSTELLO: The 10 - you list 10 people in case study 9 that we have just gone through. Many of whom as we've identified were not just patched members but very senior members.

30 **MR WATSON:** Yes.

MR COSTELLO: Are those 10 the totality of patched members within the CFMEU in Victoria at the time of your investigation?

35 **MR WATSON:** I had no powers of compulsion and on this, I had no assistance whatsoever. That was the best I could do. Used to have a saying at ICAC when we finished an inquiry and we've run it through and washed it all up and smashed people we would say, "Good. We scratched the surface on that one." I've scratched the surface. Those are the more senior ones that I was able to track down. If they're
40 there, they would not have been there as the Dark Side Chapter president without bringing in some of their lower patched members.

MR COSTELLO: Could it just be coincidental, that 10 of these people happen to be CFMEU in Victoria. It's a large organisation?

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MR WATSON: Of course it could. Is it likely to be coincidental? Of course it couldn't. There are too many. They're too widespread. You might have seen there,

I put in a letter that Graauwmans sent to two people, but no, he sent to Zach Smith saying, "We have either put these people on leave or dismissed them, or whatever." That was a letter listing, I don't know, there were about 12 names on it but they were bikies that he was able to identify. Yet in the days when I was able to speak to the officials when they were saying, "No, there's no bikie problem. There's no bikies here." I said, "Well, where has this letter come from?"

Nobody was able to tell me. Not even Mr Graauwmans was able to tell me, he said he would ask somebody to put it together. I said what primary records do you have at the CFMEU which tell you if somebody is a bikie or not. We don't keep records like that. How did you pull together this letter? I don't know. I said I would like to see all the material about this, this is actually in the days when I had a book there before the Ravbar proceedings - sorry, before the administration, and nobody could ever produce any of that material to me; could or would not. I asked for it a dozen times because I thought if there is some sort of central record which has got these names and people are identified as bikies, maybe there is some way of finding out. I was denied that information. If you think this is all of them, you're mad.

MR COSTELLO: It's fair to say, based on your report, that you formed the view that, under the old regime in Victoria, fear was an integral part of their method of operation.

MR WATSON: Yeah, that's one of the eight reasons.

MR COSTELLO: And one of the means by which fear was spread was by the involvement of people from outlaw motorcycle gangs.

MR WATSON: It's a whole new layer to the fear factor because when you're talking about trade unionists who are not scared of being fined by the Federal Court, you're talking about something which is pretty simple. When you're talking about interrupting a concrete pour, you're talking about the inconvenience and cost. When you're talking about bikies, you're talking about direct physical violence.

You're also talking about another group who do not seem to have any fear whatsoever of being investigated by the police, charged by the police, going to trial, because they play the odds. We'll get caught one in ten times, one of those one in ten times there may be problems with witnesses' recollection by the time we get to trial. In any event, we get the occasional acquittal no matter what the evidence is. They're not scared and they are violent and they introduce something which - it's really quite an appalling thing - sorry, we all know this. The outlaw motorcycle gangs are presented a problem to policing around this nation which the police forces using ordinary techniques have been unable to cope with it. Hence we have got all those restrictive laws we have got them here in Queensland, we have got them in New South Wales, South Australia and there have been so many High Court cases talking about whether or not the laws go too far. It's just that the outlaw motorcycle gangs are especially dangerous.

I think - I thought I included some very basic statistics, if you want to go and look it itself you can Google reports which are on the Bureau of Crime Statistics, the BOCS, it's called, the site. It's just terrible. And the problem is, once you introduce them, you won't get them out.

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MR COSTELLO: And so there's obviously a role for leadership within the union in seeking to prevent plainly inappropriate people from holding positions of any power or authority within the union but what's the government concerned with ensuring that trade unions operate in the way that they are designed to operate to do about all of this?

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MR WATSON: There's always civil liberties problems because a person might have been a convicted felon and our system says if you finish your term of imprisonment, you finished your punishment, you are now treated equally with the other members of the community unless you offend again. You are back on a level playing field and meanwhile, it's quite legitimate for people to be members of bikie gangs. And I'll go a step further and say people who are members of bikie gangs might be strong physical types who are attracted to physical labouring work. So there is a civil liberties issue which under pins all of this about how you would exclude certain classes or types of persons and even whether it's appropriate to ask somebody, when you're about to employ them, "Are you or have you ever been a member of an OCMG?" It sounds a little bit offensive. So it is a real issue. It's not easy.

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MR COSTELLO: What about "Are you or have you ever been convicted of an indictable offence?"

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MR WATSON: Well, you see, I can tell you in the industrial movement those kind of character tests have been extremely controversial. I haven't bought into that and I haven't the expertise to offer a solution to this. But what you're saying would be a very controversial thing. It's appropriate as you and I've been asked when we were becoming either students or add admitted as lawyers but that's a different thing. And even then you can be admitted as a lawyer with serious criminal offences behind you, provided you fess up to it and show that you are unlikely to reoffend.

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So there are bigger issues at stake. I don't feel talking about it because I'm not sufficiently informed. I will tell you, however, somebody with better skills than me has got to take a closer look at it. I'm sorry, Commissioner, I'm looking at you when I say that.

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MR COSTELLO: I'm going to move off outlaw motorcycle gangs in a moment but I just want to ask one further question. Did you receive any information about whether any of the people that were originally from Queensland but then became prominent within the Victorian CFMEU and have returned to Queensland?

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MR WATSON: Yes. At one stage Andrew Sutherland came back, I think, to Queensland. He had been in South Australia. And you will remember my large friend, Desmond Savage. He had been one of them. He went to South Australia and

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he came back to Queensland where he was, I believe, a delegate. But he featured very helpful the last time I gave evidence, a very big man in the videos. Now these two, there's a third one in the back of my mind.

5 **MR COSTELLO:** We spoke before about Mr Albert, Marty Albert, who was a Bandido originally from Queensland. Moved to Victoria. Did anybody tell you whether he returned to Queensland?

10 **MR WATSON:** No, I don't know. He could well have, I just don't know. But I do know that Marty Albert it was actually on the thing which I told you about, the Committee of Management, down in Victoria, effectively what I described as the parliament elected by the membership. He was on that down in Victoria.

15 **COMMISSIONER:** Just going back to the policy question you posed before, Mr Watson, it's all very well for people as part of their rehabilitation to come back from prison and get a job as a labourer or even a skilled worker on a construction site, provided they have got the skills and they can do the job and they are able to work, there shouldn't be any discrimination at the time at which their sentence has been fully served. But there's a distinction between coming back into normal paid
20 employment as a skilled or unskilled worker on a construction site and immediately, or very soon thereafter, being appointed, not elected, as a health and safety representative or as a delegate and even worse so, being appointed as a so-called site/non-working delegate in circumstances where that person might have no
25 experience to do that role and you'd have to wonder why they were appointed as a site non-working delegate in view of the fact that there are likely to be hundreds, if not thousands, of other persons who have got better experience.

That's really the policy question. It's not so much the rehabilitation through working in the industry but it's the immediate promotion in the absence of demonstrable skills to roles for which they are probably very likely to be unsuitable.
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MR WATSON: Couldn't agree more. The fact is that there's a massive difference between saying, "Well, part of your rehabilitation, yes, you have a job as a labourer" than saying, "Yes, as part of your rehabilitation, even though you've got no training
35 or experience, you're going to be a health and safety rep." I mean, it's just ridiculous. Then you ask yourself why can that happen and I say that's an abuse of the system.

COMMISSIONER: Well, particularly where your background the crime for which you have served time or been convicted is one that would make your role as health and safety representative or delegate or site delegate problematic. And it might be
40 regard is as inappropriate for someone with that background to be appointed to any of those roles or elected as a health and safety representative.

MR WATSON: I'll make this very brief because it's been redacted in the report but
45 I had very clear evidence of one character who was forced on a very unwilling employer as a health and safety rep who had a problem with meth and, on one occasion, was on a site with a tomahawk trying to find a CFMEU organiser who he

hated, saying he was going to kill him. That was the health and safety rep. The whole thing is just bizarre. Now, it's gotten out of control in Victoria. I'm not saying it's got anywhere near that bad in Queensland. But that's one example of just how inappropriate this is. People were being appointed for a reason. Now, there was
5 either a pay-off or a favour or they were doing it because they were told to and they were scared to say no.

COMMISSIONER: But that example you have just given, there's two aspects to it that need to be pulled apart. One is when you're talking about the imposition of
10 a health and safety representative upon an employer, the example you just gave, that's got two aspects: One is the imposition of that person as an employee in, you might assume, absence of the employer's willingness to employ them.

The second is the immediate appointment as that person for that employer or work
15 group within that employer, the health and safety representative for that work group or that employer. Now, that example you just gave sounded like it was both things happening.

MR WATSON: Exactly. I can tell you, I don't want to go into the details there
20 because it has been redacted for a reason. But I can also just show in effect - I'm not making this up, I saw the records. That particular health and safety rep was earning, on average, \$6500 per week. Commissioner - and there's an economic issue which because there are redactions but I've heard this from a number of people where they just said it just got to the point where I wasn't going to bother running this business.
25 It was - I was earning less than these men who I did not know, did not like, did not want to deal with. I was told by some that these men who were thrust on to unwilling employers were not doing anything, not even coming to the site and the employer would say that was good because if they ever were at the site, they were creating
30 problems.

It was just a shocking mess. And look, yesterday I was very critical of regulators and
even the government in saying nothing was happening. But that's because the
employers were too scared to go forward to the police - too scared to go forward to
the regulators because, well, you might have tomahawk man visit you that night. It's
35 awful.

MR COSTELLO: I want to move away from outlaw motorcycle gangs now.
Yesterday, we noted that there really were, broadly, two forms of corruption
40 identified in your report. There was ad hoc corruption and then there was the systemic corruption, and we dealt with ad hoc. I want to come to systemic now and some of the elements of that and join the two topics together. Is it right to say the involvement of people from outlaw motorcycle gangs was, in effect, a tool to pursue the end of systemic corruption?

45 **MR WATSON:** Yes.

MR COSTELLO: The systemic corruption that you've identified in your report takes a number of forms. The one I want to address with you first is the appointment of unwanted and unnecessary delegates.

5 **MR WATSON:** Yes. As you know, something I regard as being critical.

MR COSTELLO: This commences at page 31 of your report, paragraph 204. And you say that this subject is central to the understanding of the flagrant misuse of power by the former leadership. You consider this to be right at the heart of the
10 problems under the old regime.

MR WATSON: Yes. Well, I've got a suspicion that it was only happening in the last few years of the Setka era - that they started doing this.

15 **MR COSTELLO:** Well why don't we start with what it was they were doing.

MR WATSON: All right. Okay.

MR COSTELLO: You explained to the Commissioner what this problem was and
20 how you came to be aware of it.

MR WATSON: Well, I received information from a number of contractors who would say, "I had a workforce of X. Some of them were big, some were small. I had a workforce of X and I would be told you need, told by an organiser - when I say an
25 organiser, I'm including Joe Myles in this because he was mentioned several times as doing this - you need a health and safety rep. One of them laughingly told me, he said in response, this wasn't to Myles, it was to somebody else, "Look, I agree, actually. And I've got," and he had an older burnt out worker in mind and he said, "It won't be him, it will be so-and-so." He was told who he had to employ. That was just
30 how it was done. You're going to have one whether you want it or not. Some of these firms by the way, are so small they do not need a health and safety rep.

And what's more, a lot of the firms didn't even need a delegate because they were working on big sites where there was a site delegate so forget that. It shouldn't have
35 been happening in the first place but they were being told you're going to have one and it's going to be this person. A lot of these stories are redacted because the names involved would give up who they were, et cetera et cetera.

MR COSTELLO: Yes let me bring up paragraphs 207 and 208. This deals with the
40 topic of a level of generality that doesn't require redaction but I think gets to the points that you've just been making. One of the difficulties or the problems was that there were people being appointed to delegate roles where there was, in fact, in an actual sense, no delegate working done.

45 **MR WATSON:** Before you go there, can I pick up on something the Commissioner said.

MR COSTELLO: Yes.

5 **MR WATSON:** When the Commissioner said it, I thought actually I haven't made that point. You're quite right Commissioner. These positions of a site delegate and a health and safety rep, they don't require you to do any building work. There the expression is whether you're on tools or you're not on tools. They're not on tools. They don't actually have a swing a hammer. Now, think about that for a moment. These are quite cushy positions so that's not all of them real life delegates, proper old fashioned delegates, are on tools except when they slip off to do their delegate work.
10 Which might be very important, as I've said.

Now, Mr Costello, that means I've forgotten what your question was.

15 **MR COSTELLO:** My question was that you came across information that revealed that there were people being appointed to delegate roles that were not performing any delegate work at all. The role was just a fake role.

MR WATSON: Just a fake role.

20 **MR COSTELLO:** You came across information that the people being appointed to delegate roles were close associates, sometimes friends, sometimes families, of more senior CFMEU officials?

25 **MR WATSON:** Yes. Setka's brother-in-law and on it goes.

MR COSTELLO: And this was not -

MR WATSON: I should say David Setka is one of them, Setka's son.

30 **MR COSTELLO:** This is not only a problem in respect of delegates, you received information from at least one contractor that it was also a problem with health and safety reps.

35 **MR WATSON:** Yes.

MR COSTELLO: And there's a quote there at the bottom of 208 given to you by a contractor who you spoke with in the course of your investigation who said the HSRs, that's Health and Safety Reps, they make us take, are not trained, they are not interested and they don't turn up.

40 **MR WATSON:** That's what I was told and I know who that contractor is. That's a very, very impressive person.

45 **MR COSTELLO:** Now, you've alluded to the type of remuneration that these people received being significant. Could I have 213 enlarged on the screen, please. You understood that these roles were carrying remuneration of between two and \$300,000 a year.

MR WATSON: I saw the paperwork of some of the contractors. I'll just explain it briefly. If you are an unskilled labourer, you are 18 years old, you come on to a site, you are a CW1. You are you paid at a certain rate. If you're a tradesman, a carpenter,
5 you've been through an apprenticeship, you are a highly qualified person, are you paid at the rate of CW3. CW3 is substantially more. All the delegates and HSRs that I saw were automatically put on to CW3. Not to do physical labour but they're just paid at this higher rate for a skilled tradesman. And that's the start of it.

10 On these sites and I'm not - I mean, full credit to the CFMEU, they negotiated great conditions for the workers but I was quite astonished to see the travel allowances and other allowances like that and so it would have been rare for somebody who was on these sites to get less than 200 grand a year. Now, I saw the paperwork of what contractors were paying and I saw people getting in excess of \$300,000 a year.

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MR COSTELLO: If that paragraph could come down please.

MR WATSON: Quite often.

20 **MR COSTELLO:** And if 214 -

MR WATSON: I was told by contractors who would say "I was told I had to give a car" and there was no provision for that. When the contractor pushed back, things would be said like this, saying "What do you think it's going to cost you if I don't get
25 a car?" And the threat is, "I'm a site delegate, I can shut this place in a blink."

MR COSTELLO: One of the excuses or reasons given by Mr Setka, I take it in connection with the selection of HSRs that ought to have been elected was that it was necessary for the union to be making selections. That doesn't mean the broad base of
30 membership of the union, I take it. It means leadership.

MR WATSON: Just rereading this makes me angry because I'm so sick and tired of all these statements made and it's always put the same way by Setka and others who will say is, "What we are most concerned about is bringing those men home safe in
35 the evening." I truly believe Setka couldn't care less about that. We've got to pick the HSRs because we have got to keep the men safe all right, so you are going to killer on HSRs, are you. It's stupid. It's so wrong, so hypocritical.

MR COSTELLO: If 214 could be taken down and 215 enlarged.

40

MR WATSON: Because that one makes me angry, 214.

MR COSTELLO: This one won't make you happier. The example you have given was not hyperbole on your part, you actually document someone was arrested for
45 murder shortly after being appointed a health and safety rep.

5 **MR WATSON:** Yep. There you have it. We've got to point to keep the men safe, Setka would tell you. Nonsense. They'd lost their values and I said this earlier on, that hurts me personally because I actually believe in this. I think unions can do a great thing and have done a great thing in this country. But I wasn't exaggerating, it was the BWIU, it was Tom McDonald who dreamt up Cbus. Think about what that's done. That was a time when only wealthy people, only barristers, had superannuation. He brought it to people sitting here listening to this, who are beneficiaries of Tom McDonald and the BWIU. I think of where Setka and his mob have taken it.

10

MR COSTELLO: 215 can come down. Can I have 222 and 223 enlarged.

COMMISSIONER: Just before you leave that topic, sorry -

15 **MR COSTELLO:** No, I'm not leaving the topic.

COMMISSIONER: No, sorry. Well, I'll come back to it.

20 **MR COSTELLO:** Let me close this part off, Commissioner, and then I will hand to you. It seems that this was something that was that had been going on at least within the CFMEU for a very long period of time. This wasn't something that was brought into effect shortly before the administrator was appointed. You've identified decisions from 2015 and work of the Heydon Royal Commission that had identified this problem.

25

30 **MR WATSON:** Yes. I'm glad you brought this up. It shows I was wrong when I said I've got something in the back of my mind. I now recall I had it in the back of my mind that this had been a relatively recent thing so I went looking and I found a court decision finding Ralph Edwards for doing exactly this: Going to a contractor and saying, "No, no, you're not having your selection. You are not having somebody who is voted up. You are having this person and I've got the one there." Just the reference to, well, John Setka.

35 **MR COSTELLO:** And so that had been identified in 2015 and recorded in a decision of the Federal Court of Australia and while it had also been identified in 2014 and reported in the final report of the Royal Commission into Trade Union Governance and Corruption, you were able to see that a decade or so later the problem within the CFMEU had only grown.

40 **MR WATSON:** Yes. I should say this, I went looking to see whether Setka had been prosecuted. They referred him for prosecution but I couldn't find out whether he was or he wasn't. That's why I've left it there. He was referred. As far as I know, he may not have even come to a prosecution. But the findings were in the Heydon Royal Commission report.

45

MR COSTELLO: So this is the same problem that arises in respect of other breaches of industrial law: Breach, fined - sorry, breach found, breach proved, no change -

5 **MR WATSON:** Not imposed. Let's do it again tomorrow.

MR COSTELLO: No change in culture.

MR WATSON: Yep.

10

MR COSTELLO: Commissioner.

15 **COMMISSIONER:** I didn't quite understand when I read your statement, but can we go back to 207, what you were saying, Mr Watson, but I think you've made it clear. When you are talking about appointing outsiders to position as delegates, cushy, well-paid positions, what you're really talking about is three things, isn't it, reading 207 to 223 together. First, that is forcing or insisting that the employer employ that person?

20 **MR WATSON:** Yes.

25 **COMMISSIONER:** The whole system of delegates and HSRs reps and delegates going back 150 years, states as their predicate, or takes as their predicate the fact that there are employees already employed at the employer, and all the system of delegates and the system of election of health and safety representatives does, is take that group of employees at a workforce and use some mechanism to give them an additional role on top of the role they have as an employee.

30 But what you're saying is it actually goes beyond that process: firstly, forcing them to employ that person; secondly, to nominate or require that the employer recognise them as a delegate or a health and safety representative, whether they've been elected or not, after they've been forced to be employed; and, thirdly, forcing them to pay an amount, I think you said the CW3 level, I thought it was the CW5 level but it doesn't much matter, maybe it changes, it's different for different employers and different states. But when you're talking appointing outsiders to cushy, well-paid positions as delegates, or health and safety representatives what you're talking about all three steps: forced to employ, forced to recognise, forced to pay.

40 **MR WATSON:** Exactly. And that business about the CW3, this is another example where I was told about demands for being paid at CW5 level but I just chose to set it at the lower level which I thought was evidence enough. I should say this as well: The maximum, for health and safety reasons, you can work on a building site is 56 hours a week. Some of them were coming on board and somebody the employer has never met, they come in and say, "Good, I'm your new delegate. Now, I want to be paid for 56 hours a week no matter how much I work." I had accounts like that, the demands were extraordinary. The \$15 billion is starting to sound like an underestimate, you know.

MR COSTELLO: I want to come to economic cost now as it happens.

MR WATSON: There we are, we are on the same wavelength.

5

MR COSTELLO: If we can move to page 34, please. Apart from the fact that these fake delegates were doing little or any work of any utility, they were often being paid more than the actual workers.

10 **MR WATSON:** Much more. The actual workers are generally CW1. Now, on hourly rates alone, it's not a huge difference but it's a difference. They were getting paid more than the workers.

MR COSTELLO: And you say, at 227 over the page:

15

"Even though the persons pushed forward by the CFMEU for these positions usually had no skills nor experience they were paid higher rates applicable to skilled workers."

20 **MR WATSON:** That's the reference to the CW3, et cetera.

MR COSTELLO: And some of the delegates -

MR WATSON: (Crosstalk) 56 hours a week.

25

MR COSTELLO: That's the point you were making -

MR WATSON: Yes.

30 **MR COSTELLO:** - insisted upon being paid for 56 hours per week irrespective of whether they turned up or not.

MR WATSON: Yes.

35 **MR COSTELLO:** You made the point, at 230, that you made earlier, that often they'd also require a car in addition to their elevated wage.

MR WATSON: Yes.

40 **MR COSTELLO:** And -

MR WATSON: Well, they were asking for it. I think often that was refused. That was just a step too far because providing someone with a car is expensive. It's not just the price of the car. And also the - some of them said, "Well, I want a fuel card."
45 Now I've forgotten exactly what it was, but if you have a look at the travel allowance on the award rates it's actually quite generous; it's not bad.

MR COSTELLO: What makes this -

MR WATSON: What I say there about the fuel card, I remember there was one of the people who came and said, "I want a fuel card."

5

MR COSTELLO: What's even more shocking is that you think that there may have been circumstances in which somebody was not only occupying a fake HSR, or perhaps delegate role, being paid at an elevated rate for little to no work, and perhaps receiving a car for their troubles, there were some that were being paid twice because they had another role that they were also being remunerated for.

10

MR WATSON: I saw enough to convince me that there was one instance - I wish I could tell you just how bad this case is - where a person who was earning - it was on the \$300,000 level - was also working ghost shifts for one of the very prominent labour hire companies. I saw some turnstile receipts. I sat with them. They were not - the source of my information would not leave it with me. People are scared, would not leave it with me. Were the documents real? They looked real to me but I didn't have them for a very lengthy period of time. It looked to me as though that was happening.

15

20

MR COSTELLO: So this is somebody occupying a fake post at high pay and occupying another post which was also fake?

MR WATSON: Yeah. And, look, (crosstalk) I'm not making this up about ghost shifts: this is really well documented.

25

MR COSTELLO: Two jobs, full pay, no work?

MR WATSON: Yep.

30

MR COSTELLO: Just to make the point about the range of pay rates clear following the exchange between yourself and the Commissioner, could footnote 39 be enlarged, please. The bottom of that page. You say here:

"An unskilled labourer is paid at the rate of CW1. Delegates and health and safety reps are paid the same as a CW3. One source he said he had heard of unskilled delegates being paid on the rate of CW7."

35

MR WATSON: That was the exchange between the Commissioner and I. That was one outlier in the report. I've just used CW3 because, as you know, I'm a very modest and understated person.

40

MR COSTELLO: Now this concept of friends and family and associates being preferred with positions, does it have a link in to both the Hurstbridge upgrade that we've talked about and the notion of working an Occo?

45

MR WATSON: Yes, that was a key part of it.

MR COSTELLO: Let's approach it slowly. What's an Occo?

5 **MR WATSON:** It's a - the term used shorthand to describe an event called a rail
occupation. What happens is working on a railway track can be pretty dangerous if
the trains are running. So when the rail occupation is going to occur, the trains have
to stop. So when you are stopping the trains you are obviously disrupting the whole
of the travelling public and I guess everybody here may have had at some stage or
10 another where they've had to get off their train and tear taken on a bus further down
the line to a new station. That sort of thing. So an Occo is that event.

Now, an Occo is always designed so that it's going to have the minimum impact. So
it's designed to occur on a weekend and a particular time when you will do it is
a long weekend. One of the most wonderful ones was the, I think this was at
15 Hurstbridge, an Occo which was planned to take in Easter. So there's four days
where it stops, but the CFMEU has designated days off on each side of Easter.

MR COSTELLO: Yes.

20 **MR WATSON:** And this Occo was going to take in all of those periods so that when
you're being paid the people were being paid, look, I don't want to exaggerate it
because I'll just say that for the whole period they were being paid double time. Then
it started to rain. And so the builder agrees to pay triple time. Now I'm just doing that
from memory because -

25 **MR COSTELLO:** Let me take you to it.

MR WATSON: Sorry, have I put it in there?

30 **MR COSTELLO:** This is case study 6, I think, is what you're talking about and I
think the particular aspect of what you're just talking about is probably what you are
addressing at paragraph 687 to 689, if I can have those enlarged, please, it's
numbered page 102 of the report.

35 **MR WATSON:** There are reasons why this is redacted because of identification but
I can tell you I've seen the rates of pay of the Easter one I was talking about, and for
a period of over a fortnight they were getting tens of thousands of dollars.

40 **MR COSTELLO:** So 687 and 689 could be enlarged, please. So you are quite right
in your recollection, this is Hurstbridge.

MR WATSON: Right. I had forgotten gone I put this in.

45 **MR COSTELLO:** You say it was scheduled to take eight days which included the
Easter break and then this is the point that I think you were also mentioning the
CFMEU had scheduled an additional four-day CFMEU holiday around the
traditional four holidays of Easter.

MR WATSON: Yes.

MR COSTELLO: And so.

5

MR WATSON: See the thing about the massive penalties. You've got to see these penalties to believe them. It's thousands of dollars in liquidated damages payable to the principle, which is the State of Victoria, per minute. Not per day. Not per hour. Per minute. If you run overtime with an Occo, the liquidated damages are enormous.
10 Anyway, sorry.

MR COSTELLO: That's reflective of the disruption that is caused by an Occo which necessarily results in the closure of a whole (indistinct).

15 **MR WATSON:** Yeah, not only that, you are going not only disrupt all of the travelling public, but you know what you're going to do is disrupt the scheduling of every single train on that line. So it's got to finish on time for them to hand back the occupied area to the rail service. So the penalties are so severe.

20 **MR COSTELLO:** And so just like a concrete pour, this is a pinch point where, by reason of the consequences, financial and otherwise, labour has got particular power?

MR WATSON: Yes.

25 **MR COSTELLO:** And -

MR WATSON: That's right, I was doing this from memory. They actually end up paying quadruple time, and that's where I've seen the actual financial records and saw a worker collect \$15,000. He was unskilled.

30

MR COSTELLO: \$15,000 for one week?

MR WATSON: For one week.

35 **MR COSTELLO:** And what that also means, the types of wages - quadruple time perhaps being a rare outlier but even in an ordinary perfectly orthodox Occo always at higher penalty rates -

MR WATSON: Double time.

40

MR COSTELLO: It means getting to work those shifts is highly valuable. And is it your evidence that you became aware of occasions where the people that got those shifts were people preferred by union leadership?

45 **MR WATSON:** Well, I think it remains unredacted in my report in one of the - maybe it's in this part that we're dealing with, where I give you a very specific

example; the sort of thing that you only dream about if you're an investigator, if you go further down into the report. I'll just look at where I've done it. Don't I -

5 **MR COSTELLO:** Well, let me show you the next page of your report. But there is a redacted part, that follows after it that might be what you are considering, what you're thinking about. Perhaps if 103 and 104 could just be put on the screen together.

10 **MR WATSON:** Yep. This is -

MR COSTELLO: Is this what you're thinking of?

15 **MR WATSON:** This is it. Now, it's redacted because it's - the document itself may have given away sources . But the content of it is recorded in paragraphs 695 and 696, so that it identifies certain labour hire agencies. This is a demand that these people be employed on an Occo. This is not the big Easter Occo. This was just an Occo but it's sort of like a dream come true for me to be able to get my hands on one, where it was put in writing and somebody would hand it over. I might say, oddly enough, I got it from more than one source. And you can see there in 695, I've
20 identified the labour hire agencies which are engaged, and in 696 the human beings who were going to be employed on the Occo.

25 **MR COSTELLO:** And so the risk that arises from Occos is not a Victorian-specific risk. This is just in the nature of work on critical public infrastructure?

30 **MR WATSON:** Absolutely. I mean, it's particularly acute if you're talking about rail services because of the factors that I mentioned. But it's also going to work on roads because you do not want roadworks to be holding up commuter traffic. If it is going to occur on the weekend, the road has to be given back to commuter traffic early in the morning on Monday, for example. Now, I think you can look down that list of names and see where I was able to find out who the person was and I could connect them with the person who demanded that they be given the job.

35 **MR COSTELLO:** Just to cover off on the pay in relation to the example that you've been given there, if we could just go back to 687, please, on 102, because we mentioned the number of different rates but just to be clear how those rates came about: you say that in the middle of the paragraph at 687:

40 "The CFMEU negotiated a position under which workers received triple pay for the whole eight day period."

That was reflective of the fact that it was -

45 **MR WATSON:** Two kinds of holidays.

MR COSTELLO: Two kinds of holidays.

MR WATSON: Yep, sorry, just bear in mind, 687 is not the list of names.

MR COSTELLO: No.

5 **MR WATSON:** They're two different Occos.

MR COSTELLO: Yes. But for this one, triple time for the eight-day period and then the rain hit and further demand came in, and the rate went to quadruple.

10 **MR WATSON:** Yeah.

MR COSTELLO: For the eight-day period or for a portion of it?

15 **MR WATSON:** I can't remember that. I think it was for a substantial part of it, let's put it this way.

MR COSTELLO: Yes.

20 **COMMISSIONER:** I think that's how Ms Schinnerl was able to recognise that the original BPIC that she saw, in fact, came from the Victorian CFMEU agreement because of these 26 RDOs, four of which you say here are built in around Easter. And that's unusual, as I understand it. It's part of the reason she was able to recognise it as having come to Queensland.

25 **MR WATSON:** I, of course, know what BPIC is because it touched on the sides of my Queensland inquiry but I don't know the details of it. But I do know this much: that people told me time and time and time again, the idea of BPIC might be a good thing for construction site but doesn't work on civil because of the factors we're
30 talking about. When you're working in circumstances where you have to deliver the infrastructure back to the ordinary commuters or ordinary use very rapidly, you can't just reschedule Occos; that kind of thing.

MR COSTELLO: Is that a convenient time, Commissioner?

35 **COMMISSIONER:** Could I just ask one question before we adjourn, Mr Costello. Is it your evidence that these people at 696 who you describe at 693 as add-ones, unnecessary and unwarranted workers who are just joining the Occo gravy train who weren't actually rostered on to work did, in fact, work or -

40 **MR WATSON:** I can't tell you that but I believe they did.

COMMISSIONER: Right.

45 **MR WATSON:** I did speak to somebody who was on this and I asked that very question and they told me, "I don't know who these people are." But that was the way that it normally worked. Now, that was qualified because the same person who told me that they did know one of the people who was older who was only sat in the shed

during the Occo but they turned up for it. They were physically on the premises but not doing any of the work.

COMMISSIONER: We will adjourn until 2 pm.

5

<THE HEARING ADJOURNED AT 12.45 PM

<THE HEARING RESUMED AT 2.00 PM

10 **COMMISSIONER:** Mr Costello.

MR COSTELLO: Thank you, Commissioner. Mr Watson, before the break, we were discussing forms of systemic corruption within the CFMEU Victoria, and we dealt with a range of topics, including enterprise bargaining agreements and delegates and health and safety representatives. I want to talk to you now and ask you some questions about the last form of systemic corruption that you identify which, in your report, you identify as a single most corrupt aspect of the entire Victorian building sector, which concerns labour hire.

20 **MR WATSON:** Yes.

MR COSTELLO: Now, let's start at the beginning.

MR WATSON: I've got to tell you something. Since writing this report, there have been massive developments in Victoria in respect of labour hire but that will come out in the answers.

MR COSTELLO: All right. Labour hire is, or at least perhaps traditionally was, something of a flash point between unionised labour and employers. You're aware of that.

MR WATSON: Oh yes. Sorry, the union movement shut its face against labour hire.

MR COSTELLO: And it did that for a variety of reasons, including that, by its nature, labour hire was less permanent or secure employment in the view of those opposing it. What's the connection between labour hire and the CFMEU that caused you to form the view that it was the single most corrupt aspect of the Victorian building sector?

MR WATSON: There's a number of things. The first one goes back to the enterprise bargaining agreement's point. What it is they're able or the union was able to control and confine who could get a labour hire licence. Once you can do that and you restrict the market, the people what are in the market - it's very, very profitable. There's little competition, et cetera, et cetera. So it's what every businessman's dream is, to find a area where you can exclude competitors.

So that meant that it could be corrupted and that meant that the CFMEU - and I shouldn't speak about the whole union. I really hate the idea that I'm dragging innocent members into this. I will say the executive of the CFMEU or the power brokers of the CFMEU, could pick and choose who would get those labour hire
5 EBAs. Now, if you have a look at how they were allocated to whom, what they were allocated and what the effects of the restriction are, you will see the potential for corruption. As I said yesterday, Mick Gatto has had serial labour hire EBAs. Other people have tried to buy their way in and there's a heavily redacted section but it's quite remarkable when you hear the story.

10 And the point is made time and time again, it's been made by Gatto in circumstances which have been redacted, but also made explicitly by Harry Korras, that they are not going to give these things away because those already in the market will lose out. So there's an interest in those who are getting them in paying bribes to get them. There
15 is an interest in those who have them in paying bribes to keep them or to keep people out. So this is where the problem is coming from. Now, it's not going to be a problem, except this is an unbelievably profitable part of the building industry. Labour hire in Victoria is now a billion dollar industry in its own right. And I was able to get - I'm not sure whether I included them, I think I was told I couldn't use
20 them - I was able to get some records which showed the profit margins and I think I put it in there, they showed up for two of the firms, and this is what they're declaring on tax returns, were 9 per cent profit margins. In an industry where people hate paying tax, if they're declaring so that there's a 9 per cent profit margin, well I'm happy to use that as a rock bottom minimum.

25 So you're talking about it and I'm just going to use 10 per cent, simply because my maths aren't good enough to go elsewhere. It's a billion dollar industry. There's a handful of people in it. There's \$100 million in profits to be split up. So when you've got all of those things going together you've just got a problem of massive
30 corruption. But you've asked me the reasons why it might be there. I can tell you why I know it's there, if you wish to ask that question.

MR COSTELLO: What's the "it" in that sentence?

35 **MR WATSON:** Sorry?

MR COSTELLO: What's the "it" in that sentence? Why it's there. You mean the -

MR WATSON: The corruption in the allocation and maintenance of EBAs.

40 **MR COSTELLO:** I want to come to that. Can I just seek to understand the practical working of this a little. Large project, part of the Big Build, has a need for all manner of workers and some of the workers are obtained by or through a labour hire company. That's how this works?

45 **MR WATSON:** That's how it should work. People say notionally, for example, nobody would doubt there's a need for labour hire. That is a workforce that can be

called on in times of shortages to fill gaps. And when I originally took up this work, I was completely out of date with how labour hire had gone and I expected that I would see numbers in the order of 10 per cent of the workforce was coming from labour hire.

5

And then, when I opened it up, I was finding it was consistently 40 per cent and then on some of the projects, 50 per cent or more of the people working on it were coming through labour hire companies.

10 **MR COSTELLO:** And so you've pointed - you've named one entity, MC Labour Hire and another entity BK Labour Hire in your report. Do you recall that?

15 **MR WATSON:** I've also named Top Up and, circuitously, I guess, I've mentioned CCL. There are a number of them. If you have a look at, for example, at that thing we were looking at about who wants to work on an Occo. I've mentioned several of them there.

20 **MR COSTELLO:** And so these are - at least MC Labour Services, based on its revenue of \$270 million a year, these are sizeable businesses?

25 **MR WATSON:** Yeah. I mean, MC Labour, I am led to believe, is the biggest. But I can't be sure of that. I was only able to get records in respect of a couple of them and I had information - sources of information coming through to me which suggested that MC Labour was probably the biggest and followed by BK and Top Up.

MR COSTELLO: You cite BK of having a turnover of about 155 million in the 03/04 financial year.

30 **MR WATSON:** Yes. That's one of the major developments.

35 **MR COSTELLO:** Now we will come to the major development in a minute, but just to understand the practicality of it, they're the businesses. We understand the Big Build; how does it become corrupt? What's the corrupt element in all this?

40 **MR WATSON:** Well, in the first place, the acquisition and maintenance of the limited number of EBAs so that you've got a closed market. It's non-competitive. Now, that's one corrupt part of it. The money would not only have passed hands in the first place to get the licences - I shouldn't say licences, that's a separate thing. Money would have passed hands in the first place to get the EBAs. Money would pass hands in terms of maintaining the EBAs.

45 **MR COSTELLO:** And so there were links, were there, between the CFMEU Victorian leadership and the labour hire companies that you have named.

MR WATSON: Oh yes. Really strong links. And the different labour hire companies might be linked to a different person in the CFMEU but I was able to track a fair bit of that down.

5 **MR COSTELLO:** You've named three entities.

MR WATSON: There's a fourth one as well, I'm sure, which was a different one. I'll try and think of it. It's the one where the fellow who ran it boasted said it cost me \$800,000, which - you know, the bribe he paid, "It cost me \$800,000 to get this
10 contract so don't stuff it up for me." I seem to remember putting that quote in I think that was another building, labour hire companies.

MR COSTELLO: Assuming there's at least four -

15 **MR WATSON:** No, no, there's more than that. On the Occo sheet you will see one called Women in Construction and there's several. I do name them and I deal with them in that section on the Occo.

MR COSTELLO: Yes.

20 **MR WATSON:** There was one which was a very, very, very problematical organisation for years but I believe has, on all the accounts they got, had straightened up. In that thing on the Occo, that's right, it's OCC. That was a firm which, in the
25 early material I had was under a cloud. It was actually owned - partly owned by one of the Moran family who were notorious in Victoria, to the extent they're still alive.

And the OCC that was sold out and the people who purchased it, and this is something of a Black Swan in Victoria, they are apparently completely honest -

30 **MR COSTELLO:** Yes.

MR WATSON: I'm pleased to say. Dardi Munwurro is a First Nations firm. I know no bad information about Dardi Munwurro. Women in Construction was a really
35 problematical organisation because there was an owner there that had a really bad reputation as a sexual predator. But he sold out and I think that firm might be pretty straight now and the other one that's mentioned there is Top Up. There are other organisations, there's more than just a handful, and some of them don't do any good. But there's a reason for that, too, and it relates to corruption.

40 **MR COSTELLO:** Given the size of the market that you've estimated it, it doesn't sound like a number of players. It doesn't sound like a large number of firms.

MR WATSON: No, they're not - I'm sorry, I'm not saying there's a large number. It's only a small number but it's more than you were saying.
45

MR COSTELLO: Which in the - one might assume the barriers to entry into that market are particularly low.

MR WATSON: You mean up-front costs?

MR COSTELLO: Yes.

5

MR WATSON: Absolutely. If you compare it with, for example, buying a \$2 million piling rig, what you are dealing with you have got a computer program with some people's names on it. Of course there's administrative costs. I'm being an idiot saying they're low but comparatively, they are very low. This and other capital
10 equipment necessary.

MR COSTELLO: So were you surprised that market power had concentrated into a relatively handful of operators?

15 **MR WATSON:** It's completely wrong that it has. Now, in Victoria they've also got a regulatory authority which licences labour hire people and you may wish to ask me about that in due course.

MR COSTELLO: Did you form any view about why it is that there's a relative
20 handful of labour hire companies available for this industry?

MR WATSON: No, it's the reason I've just explained. It's because they're kept deliberately small. They're kept controlled because it's very highly profitable for those few people who have the EBAs in the area: Mick Gatto, Top Up, et cetera,
25 et cetera.

MR COSTELLO: And you formed a view that Mr Setka and Mr Perkovic had an arrangement with Top Up?

30 **MR WATSON:** Yes. If you have a look at Top Up, it's got a personal connection between the owner, Steve Milic, and John Setka. Now, I know it's going to sound odd but it's the cation connection again. I could explain it. Steve Milic's father-in-law was a really highly respected member of the Croatian community. Kind of a
35 near-Saint. And that connection was enough for Setka to shower favours on this friend of his son-in-law. Then John Perkovic is the same thing. If you have a look through the things on John Perkovic you will see that I've put in there evidence, explicit evidence, of favours done to Perkovic by Steve Milic from Top Up. There's no doubt about those connections.

40 **MR COSTELLO:** You considered that Joe Myles favoured BK Labour?

MR WATSON: There's more than just Joe Myles. Look, I feel in saying this, I've got to tell you what the development is.

45 **MR COSTELLO:** Yes, please.

MR WATSON: Top Up has been asked to show cause why its licence should not be cancelled. Now, I don't know why that is. The regulator has struck me as being rather quiet in this area for many years. More recently, the Victorian Government gave it more power and it has recently stepped in to require Top Up to show why it should
5 keep a licence.

Now, that in its own right is going to lead to a secondary problem. But that's one development. You just asked me about BK. In BK, there's a strong Irish connection. The owner of BK is, or may be more appropriately was, Bernard Kearney,
10 K-e-a-r-n-e-y, who I believe is Irish. I did not speak to him but I heard he is Irish with an Irish accent. And it's partly the connection between Joe Myles and Bernard Kearney that the Joe Myles' faction within the CFMEU's name was the Irish Faction.

Now is it a real thing, is it a real connection or not. There might be dispute about it.
15 If you have a look through newspaper reports, I didn't include this in the report of mine because I thought it was too tenuous, but there was also some clear evidence that BK had been used where - soldiers from within the IRA had come to Australia and been given jobs on building sites in Victoria through BK Labour. Now, there are newspaper reports about this but is it true? I never tried to get to the bottom of that
20 because it was getting too far away from corruption in the CFMEU. But there's been a massive development there.

MR COSTELLO: Could I have -

25 **MR WATSON:** There's been a major arrest involving BK. The names aren't out there but I've heard from multiple people that it's Mr Kearney himself charged with offences and information came out that BK Labour was surrendering its licence and going out of business. Now I'll take you back to how much it was making and nobody really does that without some dramatic reason. I had also heard that the
30 regulator had come to BK and said, "We are going to ask you to show cause why you shouldn't have your licence cancelled" and almost immediately, Mr Kearney pulled the pin on the whole operation.

MR COSTELLO: You have suggested in your report that BK Labour might be
35 making an annual profit in the order of \$15 million.

MR WATSON: Yeah.

MR COSTELLO: Of revenue off 155.
40

MR WATSON: Yes (crosstalk).

MR COSTELLO: Could I have GW13 on the screen, please, at numbered page 71.

45 **MR WATSON:** By the way, I was given stories - accounts, quite incredible accounts, because these were people who were using some of these labour hire companies that they were having pressure placed on them by CFMEU

officials - especially John Perkovic seemed to be fairly blunt in this respect. They'd go to contractors and say you are to use Top Up or you are to use this labour hire company. And that was happening repeatedly around the traps where CFMEU officials, organisers in the main, were requiring certain labour hire companies be used.

MR COSTELLO: Could I have 468 enlarged, please. This is a passage that you alluded to before, I think, Mr Watson.

10 **MR WATSON:** Yes.

MR COSTELLO: So you say that -

15 **MR WATSON:** I sort of double protected it by asking for the owner and it's just gone out of my head who it is. So I'll - there must have been some reason why I did that, it must have been to protect somebody.

20 **MR COSTELLO:** In any event, you say that the corruption was so rife, it wasn't even kept secret.

MR WATSON: There was no secret about it. Let's put it this way: These fellows were just stating it in front of people. "You've got to use this labour hire company." If you're a contractor and you are confronting with picking and choosing between labour hire A or B, you don't really care.

25 **MR COSTELLO:** The labour hire company pays, in effect, a bribe to get the job; is that how this works?

30 **MR WATSON:** Well, no, they'll pay bribes to the official who is promoting them and I've included some evidence of that. For example, John Perkovic, the beautiful, I'm not interested in cars but I recognise the beauty of his GT Falcon, the original Australian muscle car. He got that from Top Up.

35 **MR COSTELLO:** So as you understand it, the way it works is the labour hire firm pays a bribe to the CFMEU official, the CFMEU official insists that the contractor use the particular labour hire firm on a particular site.

MR WATSON: That's how I understand it works.

40 **MR COSTELLO:** This, that's not the ends of it insofar as labour hire is concerned because the ghost shift phenomenon throws through into labour hire as well.

45 **MR WATSON:** Yes, but you're also omitting that some of these labour hire companies are pretty problematical. The biggest of the lot is MC but I've detailed what the problems are with the background of that firm. And you would imagine that there was every chance in the world that those undesirable people were being brought on to a site.

MR COSTELLO: Yes.

5 **MR WATSON:** I mean, they had as a talent scout picking out the right people who would be employed by MC and go on to building sites. Their talent scout is Toby Mitchell. Again, if you haven't heard of him, Google him. You will find out a lot. You might even be able to watch the film where he was leaving court, the press were like this, and when somebody tried to ask him a question, a member of the press asked him a question, you can see on the video him spitting in their face. He has
10 been in jail a lot. He has been shot eight times and he was strongly connected with MC Labour. I'm not sure whether that continues.

MR COSTELLO: And so that is consistent with what was going on in the union more generally, is an example the infiltration of criminal elements into this aspect of
15 the industry being the labour hire aspect.

MR WATSON: Exactly. This may not be something which can be brought home to the CFMEU, mind you. I'm talking about MC Labour here, so we are getting a little bit distant. It may be nothing to do with the CFMEU but there is a problem with it
20 which is that it shows that, I think, the building industry generally is unusually susceptible to the infiltration of organised crime, and criminals even acting alone and by themselves.

And they're there and it seemed as though, as far as I could tell, the executive of the Setka era, the CFMEU was welcoming them, not driving them away.
25

MR COSTELLO: That brings us to ghost shifts. We've talked about it in the different context already. It might be thought to be slightly more difficult to understand the ghost shift phenomenon in the context of labour hire being labour
30 that's brought in for a specific task where there are insufficient workers to discharge that particular task.

MR WATSON: Yes, it sounds like that but that's not how it works.

35 **MR COSTELLO:** How it worked was that, consistently with your earlier evidence, there were labour hire employees, if you will, on Big Build projects filling ghost shifts, that is being paid for no work.

MR WATSON: Well, I was told by one contractor and he showed me paperwork to this effect that he was paying for - sorry, the way that this works is that it was costing
40 him nothing. He, on his books, had it would be just three or two or four workers during the week who were being paid for having worked for him through a labour hire company, which he was then remitting back to the principal of the superintendent on the site, who would be in turn remitting that back to the Victorian
45 Government as an on-charge. And what they were, were workers who never came at all, who never were employed there, but their names just went on. They were fabricated and he showed me material which suggested that they'd been confirmed by

a CFMEU official onsite. I don't know whether it was a delegate or what, it may be organiser level, but whatever it was, it was just a few grand a week, to be split up between those involved in the rort. Just bear this in mind, it wasn't costing the contractor anything. The labour hire company, it's pure profit to them, which is being paid ultimately by the Victorian taxpayer. Now where was the money going? I think we all know how these things work. Harry Korras says "everybody's got to eat." Everybody gets a share, in other words.

10 **MR COSTELLO:** You believe that ghost shifts through labour hire companies on the Melbourne Metro Project cost millions of dollars alone.

MR WATSON: There's no doubt about that because some of them have been exposed.

15 **MR COSTELLO:** How has that exposure come about?

MR WATSON: Well, they've caught them out. There have been a couple of instances, I've listed them in the report. The detail of those has gone out of my head but I think, and I do have a recollection I watched a speech or read Mr Andrews, the Premier, or the then-Premier, saying that this will never happen again. But it did. And certainly some of the people from the CFMEU who are organisers were exposed and cut out but I asked for details about one of it and nobody knew. Got to remember, the administration comes in, they haven't got this information at their fingertips so they go to people who are in the CFMEU. For all they know, they were involved in it but there is problem. There are a couple of people dismissed about ghost shifts and I couldn't even find out the names.

MR COSTELLO: Dismissed from the union?

30 **MR WATSON:** Yes.

MR COSTELLO: But you are unable to ascertain who those people were?

35 **MR WATSON:** No, I couldn't find out who those were. It's not because the administration was stone-walling me, I'm asking the administration, they've been stone-walled by others.

40 **MR COSTELLO:** Yes. You say in your report that an operations manager at MC Labour had been jailed for aggravated burglary and theft charges and was close with Toby Mitchell who also had a connection with the company as you've mentioned. And that despite all of that, that company received heavy support from the CFMEU during the Setka era and was described as having a near monopoly over labour hire in the Metro Tunnel Project.

45 **MR WATSON:** MC was huge. Look, again, this is, you might say, one of these things where you get to the point of a civil liberties issue. Should the regulator be calling in and saying, "Look, what are your connections with Toby Mitchell?" If they

knew about it, et cetera et cetera. It gets very, very hard. If they're actually supplying the labour in a timely way that's all they've been contracted to do and you might say well, who has been harmed? Well, I would say the harm is probably being done because it was an anti-competitive practice of limiting the number of people who were able to get labour hire EBAs, it starts there and it trickles through.

MR COSTELLO: Insofar as the harm that arises is the harm that rises from ghost shifts that are partly performed but not fully performed.

10 **MR WATSON:** Of course that's another matter.

MR COSTELLO: That oughtn't be all that difficult to work out; that is, payment for those services is predicated on them being performed and understanding whether or not a person has been on-site for a shift isn't something of particular complexity, one might think.

MR WATSON: You've never been to a Big Building site, have you? There are men walking around you wouldn't know who they are employed by, what they were doing, and they could just walk around the site all day without actually doing any work. The fact is that people were being tacked on in numbers. Once you've got 400 people on a site, another 50 are just neither here nor there. It's the easiest thing in the world to fake this and it's been going on several times.

MR COSTELLO: So this, then, is a difficult problem to root out, do you think?

MR WATSON: It's very hard because you're depending on the honesty of individual people at the level of the officials. Now, there are all sorts of constraints on certain sites where you've got to enter through a turnstile and you've got to identify who you are, so you can be tracked down to particular sites. That doesn't apply at all the jobs. Any system can be corrupted. It just depends on whether you've got somebody who is willing to do it.

COMMISSIONER: One of the pieces of evidence that was given last time, I think by Ms King, maybe Ms Schinnerl, was that the part of the safety, one of the demands the union made in relation to the Cross River Rail so-called safety reset was that the turnstiles not be used to work out to identify who was onsite. What was the rationale for that?

MR WATSON: I couldn't get to the bottom of it. The things which I imagine would be that just means you can tracked and they didn't want to be tracked. Well, I can't think of another good reason. It seems to me as say you wanted to earn an honest day's pay you would like somebody clocking you in and clocking you out.

COMMISSIONER: I just wonder whether it related to the topic you are discussing at the moment.

MR WATSON: No and I must say I'm not across the detail of how the individual sites worked. I just heard very general accounts that some sites did have detailed sign in sign outs but they may have been more dangerous sites, for example, tunnels, you've got to go underground, et cetera, so that may have been tricky to get into rather than a surface site but I'm speculating there.

MR COSTELLO: I was going to move to another topic, Commissioner, unless you had further questions.

COMMISSIONER: No, thank you, Mr Costello.

MR COSTELLO: Mr Watson, before asking you some final questions, the last discrete topic I wanted to very briefly raise with you is the Building Industry 2000 Fund. If I could have page 38, numbered page 38 commencing at paragraph 246 on the screen, please. Thank you. Now, this is all slightly mysterious.

MR WATSON: It sure is.

MR COSTELLO: But you formed some preliminary views. Could you just explain in general terms what your concerns were in connection with the Building Industry 2000 Fund.

MR WATSON: Well, I think it's got a fairly dark start. It seemed to me as though it was an effort to evade the law which related to unions funding, in effect, their own election campaign. If you've got a ticket running for re-election to a union, that ticket has got access to all the funds of the union to promote themselves and the challengers do not. It also introduced the use of union funds to back the election tickets in that way. That seems fair enough. This fund seems to be set up to try and evade that. Whatever happened, it was set up in a way that it was able to collect the money and to keep it distant from the union they said, "Well, it's actually acquired the corpus of the fund completely unrelated to union activities." Really? One of its biggest things was the pretty famous CFMEU Grand Final Breakfast, which was actually technically, I believe run by Industry 2000 and the profits from it payable to the Building Industry 2000 Fund.

That seems pretty closely related to union activities to me. And another one was they were able to get profits from vending machines which are placed on CFMEU sites. And rather than go back into the union's general fund, instead that was able to go into Building 2000. Now, some of those profits with up to 20 per cent of the sales. You know that sort of thing where you are buying a packet of chips or a can of Coca-Cola and there's some profits, not all of them are 20 per cent but those things make money or otherwise they wouldn't exist. So again, it doesn't seem to me to be to be unrelated to the union's activities but it seems through those and other not dissimilar ways, this fairly massive fund was able to be set up.

But even finding how much money is in the fund is not that easy because it rarely produces any financial records. All that happened was that the administration they

picked up that the fund had been transferred from the union offices to, I think, it was Ralph Edward's home address. Ralph Edwards had previously been president. I'm not saying Mr Edwards or Mr Setka they're the trustees, I'm not saying they were stealing the money. They were just making sure they didn't lose control over it.

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MR COSTELLO: Insofar as you were able to ascertain, who was involved in this fund it was Mr Setka and Mr Edwards?

MR WATSON: Well, they were the trustees but who else had a say in it, I do not know.

MR COSTELLO: Are you aware of whether or not the administrator has taken any steps to try and understand more about this fund?

MR WATSON: Yes. Lots of steps. And to retrieve it, recover the money, and I believe in the hope that it will applied for the benefit of the general membership. Could I say this, I mean, some of the money has been spent in a way that just is astonishing because it's set up to fund elections, they use quite a substantial amount of money to fund the election campaign of Joe Myles' wife to Melbourne City council. Now, what's that got to do with the CFMEU?

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MR COSTELLO: In your report you talk about \$195,000 being used to support that campaign.

MR WATSON: Yep.

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COMMISSIONER: I thought you said the source of the funds controlled by Building Industry 2000 is obscure. If it doesn't come from the CFMEU, what does it matter that it's being used to pay for the election of Mr Myles' wife to the Melbourne City Council?

30

MR WATSON: That would certainly be their argument but I just wonder whether or not this thing is set up in good faith. If it's been set up in that way and they're saying it's got nothing to do with union funds but it's actually collecting the profits of the Grand Final Breakfast, then that would seem to me to be very closely related to the activities of the CFMEU, that are applied for the benefit of the general membership than individuals.

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COMMISSIONER: I understand.

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MR COSTELLO: Mr Watson, are you continuing to investigate the CFMEU on behalf of the administrator at this point in time?

MR WATSON: No.

45

MR COSTELLO: You have completed all of your work.

MR WATSON: Yes.

MR COSTELLO: You've now written quite a number of reports -

5 **MR WATSON:** Yes.

MR COSTELLO: - about the goings on of this union in quite a number of states.

MR WATSON: Yes.

10

MR COSTELLO: And you've formed views, no doubt, about the union; for good and for bad.

MR WATSON: I sure have.

15

MR COSTELLO: Now, on any view, things became out of control and well beyond ordinary lawful conduct within the leadership of the union.

20 **MR WATSON:** In my view, in the Setka period, very, very obviously. And in my view, in the Ravbar era, very, very obviously here. There were problems in New South Wales. I seriously think they are at a much lower level.

MR COSTELLO: Now, obviously, much of this revolves around leadership.

25 **MR WATSON:** Yes.

30 **MR COSTELLO:** And the presence of the administrator at the moment represents a very material change from the days past but part of the work of this Commission is to seek to understand how not to allow these things to replicate in the future in days when the administrator has long gone, for example. Following on all that you have learned in the course of your work over a number of years now do you have any views on what lessons can be learned and what steps can be taken?

35 **MR WATSON:** I've got a lot of views about that. I don't know whether they're any good or not but I'll test them with you. I've been very impressed with the little contact. It's only slight, but very impressed with those organisations which are generally representative of trade unions here in Queensland, the QCU, federally, the ACTU. Because they have a greater feel for the whole of the industrial movement, they are going to be in a much better position to make judgments about where
40 a particular union has gone rogue.

45 Now, in saying that, there's something to be learned by it because in Queensland, when the QCU applied pressure to the CFMEU, the CFMEU dropped out of the QCU. They weren't going to be subjected to this external control. When Sally McManus spoke out against Setka he withdrew the Victorian CFMEU from the ACTU. I think you might even see in those acts that what I'm saying about the role of these larger umbrella organisations can be a positive thing.

I think that they could lend great assistance. That's one very general thing, is greater assistance from that. There's a related thing. One of the proud planks of the CFMEU objectives is to work collaboratively with the whole of the trade union movement. In fact, it's got a restraint on it, oddly enough. It says that they've got to work collaboratively and cooperate with other unions subject to the law. In a sense, another union could not draw the CFMEU into lawlessness. What a joke. Well, it seemed to me that that concept which I understood to be central to trade union life is just being ignored. That's really the role because I've got to tell you I really got a lot of assistance out of dealing with the AWU here.

Now, I might say I'm biased in favour of the AWU. No, I'm just saying I got a lot of assistance from them and I got none from the people here in Queensland from the CFMEU (inaudible). It seems to me as though they did have a role. I'll say something. Commissioner, there's not much I can do about this. What I've been doing is something I noticed repeatedly. You know the most impressive people I've met if you want to generalise? Women. Go and talk to Sally McManus some time. I know you have spoken to Jacqueline King. I know you have spoken to Stacey Schinnerl. Think about it for a moment. There is absolutely no reason in the world for this to be an aggressively male-dominated area and I think if you have a look at the Setka era, CFMEU, you can see what the problems are, arising from it.

If you have a look at the union as it's got out of control in Queensland and Victoria, you're going to look around desperately to try and find the highest ranking woman. I'm not being pathetic, I'm not making some sort of woke statement or something. This is a fact. If you have a look at New South Wales where there was a powerful woman who was president, it doesn't seem to have had the same problems emerge as in Queensland and Victoria.

That's something that I see as central. I think that there's got to be a kind of a breaking of the boys' club which I really do see as being a real problem in Victoria.

COMMISSIONER: I think the data that we have been given somewhere is along the lines of from the CFMEU, and someone will correct me if I am wrong, close to 800 delegates, that might include OH&S reps over the last seven years, and I think only a handful are women in the CFMEU in Queensland at the delegate level.

MR WATSON: It speaks for itself, Commissioner, and I see that as being a real part of the problem here. You see, I don't know whether, somebody here might wish to cross-examine me and ask me about this, but it's been said to me sometimes when I've been questioning people from the CFMEU, I would say why the violence, why the violence, why the aggression, why the swearing, why this, why that, all the things where they're just contacting completely to describe it as uncivil is understating that but that will do for the moment. Why, why, why. You've got to remember I'm told that the building industry is a pretty tough place, you know, and there's a lot, it's physical and there's this and there's that. Why? I do not believe. I do not believe that that needs to be the case at all.

And I just think that it was spinning out of control with a kind of macho aggro boys' club problem. I really do see that as being a problem and it also strikes me as so puzzling that a trade union can't see that in 2026, it's about time that women were shown equality in these positions of appointment of power.

So that I think, is a big thing. I don't know whether this is helpful do you wish me to keep going?

10 **COMMISSIONER:** Please.

MR WATSON: I also see that there are - and, look, this is talking myself up so I actually feel uncomfortable saying this. I think if you have a look at my reports, but especially the Victorian one, that you will find that there are some lessons to be learned which can be applied more generally and I don't think it would be that tough to control. The big one is that thing about selection, appointment and training of delegates and organisers.

And the power to get rid of them. For example, I would urge you to contemplate a thorough going audit of all of the delegates of the Queensland branch and restart. Now, I've got to tell you, this is easy for me to say harder to do in practice because they're not employees of the CFMEU. So it's hard to bring them in and question them. They're employees of the contractors and the contractors say, "We don't care what you say, we want so-and-so." So it's hard.

But something has got to be done so the CFMEU, when it is expressing itself to the public and to the industry, as the representative trade union, really important trade union, has got the right people who are their so-called officials. It seems to me and I've had experience of this, strangely enough, in New South Wales, very direct experience, that some of the employers who have malignant intent have selected delegates who are inappropriate.

I can't say too much about that because that report that I've given is still under wraps. But that's, I think, a really important thing. Systems, of course, are always important to any organisation. So you're going to have to look at the systems of how they're selected, how they're voted up, as the expression goes.

Then there's the management of the enterprise bargaining scheme. That's a bigger problem than I can answer. Let's face it, since WorkChoices, there's been nothing but a bumpy road getting to this place and coming to the agreements which have permitted the current EBA system. It's been difficult and it's never going to be perfect. But it's always going to be placed under review and, again, that's where you're going to get a hell of lot of information of a better quality kind if you talk to the ACTU and the QCU. So that system has got to be reformed.

I think, based upon what I've seen from Victoria, that the organisation that already ought to be looking at the EBA system is the competition authorities because at the moment it seems to me to be anti-competitive.

5 Now there's a very simple way of fixing the problem which would have better people
in the position of leadership. Now, that's easy to say and some cynics will say
impossible to implement. But I can tell you one way of doing it. It's by holding free
and fair elections. One thing couldn't come to grips with when I first went down to
10 Victoria to start all of this was the way that the passage of control of the Victorian
branch had just been passed through hands. It was as though elections, if they were
taking place, were a farce.

Now that said, if you look at a great trade union leader, hold on we don't want to get
rid of Pat Clancy or this leader or if you've got a very, very aggressive ideological
15 union you might want to say we don't want to get rid of Jack Munday. Of course,
there's a tension how you select them. But I know one thing: What is happening in
the Victorian CFMEU I'm not really as familiar with the Queensland one -

COMMISSIONER: Mr Irving gave some evidence, and someone can correct me if
20 I am wrong, in the last four election cycles there was no election in the Queensland
branch of the CFMEU. They were uncontested elections, perhaps except for one
position.

MR WATSON: That surprises me not at all because if you look at the names they
25 just remain the same so just pass between themselves. I remember earlier today that
Derek Christopher himself said, "Yes I've been anointed to succeed John." Really?
Forget about the voters. So I just wonder whether that can be done, whether you can
in organisations which should be a cornerstone of a democracy, reintroduce the
concept of democracy to trade unions. That's the best way to get better quality people
30 to represent you. You know why? Not because the best candidates will stand; it's
because you can get rid of the bad ones. When the union gets out of control, you can
vote them out. You can't do that at the moment. We've just heard from the
Commissioner about the position in Queensland.

35 **COMMISSIONER:** Well I'm just trying to reflect Mr Irving's evidence as best I can
remember it and Mr Irving hasn't been crossed yet and there might be contrary
evidence, but the evidence as it stands at the moment, as far as I can recall it, was, in
effect, no contested election for four years - four cycles.

40 **MR WATSON:** Four cycles. That it's stunning for bodies which are supposedly
exemplars of the democratic system.

MR COSTELLO: Can I ask you one final question. Or did you have more? Did you
45 have more that you were seeking to say (crosstalk).

MR WATSON: No. I thought everybody was going to sleep so I better stop there.

MR COSTELLO: Let me ask you one final question. I'm not concerned with so much the mechanics of how this would be done if it can be done, but as matter of principle, given all that you've seen, do you think that it would be preferable if the CFMEU's encroachment into civil construction could be wound back?

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MR WATSON: For sure. It should go back to where it - sorry. It should go back to where it is. If you have a look at the demarc rules, they're pretty plain and they're pretty obvious. Yes, of course there should be a constraint. You know why that's a good thing? Because it provides competition as well. By the way, within the CFMEU rules, there is scope for it to engage in civil work but within certain boundaries. But if you've got these unions which are under control, under direction from the industrial commissions, of course it's a good thing.

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MR COSTELLO: Commissioner, I have no further questions for Mr Watson.

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COMMISSIONER: I just wonder if I could ask a question about the involvement of the QCU and the ACTU. One of the things you've talked about, Mr Watson, in your evidence about the history of this union and the predecessor unions was the role of Mr McDonald in the BWU in New South Wales and his mentor, Mr Pat Clancy, and you contrasted that with Mr Munday who was secretary of the New South Wales branch of the BLF and Mr Gallagher who was the secretary of the Victorian branch of the BLF. Much the same thing happened then as is happening now, in the sense that although Mr McDonald - or Mr McDonald then following on from Mr Clancy, in effect, fell in line with what you might call the ACTU Labor Government Prices and Income Accord and that gave them a lot of power and they would develop his idea of compulsory superannuation for all because he became part of the system.

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Mr Gallagher decided not to and the consequence for him was deregistration of the BLF. And something similar has happened now in the sense that, as a consequence of perceived bad behaviour, where you have to make some assessment about - and I'm yet to make that assessment here - about the impact of that, or the extent of that, if any, in Queensland, the CFMEU has been placed into administration by a Federal Labor government. So it's all, sort of, very well to say you should have regard to the QCU and the ACTU, but the reason we are here is because, just like the Victorian branch of the BLF back in the 80s, the leadership immediately before it, the administration of the CFMEU, thumbed its nose at the ACTU and the QCU. So, once the administration is gone, how do you get that new leadership to, in effect, do what the unions have done for decades? That is, resolve these differences, particularly these questions of demarcation behind closed doors and with bodies like the QCU and the ACTU, when you've got people who are determined not to do so?

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MR WATSON: Again, it comes back to the sort of catechism class point which is, have better angels in charge. Don't have the people who are lawless or will break rules. Now, I'm putting aside the ideology of Munday, et cetera - were deliberately outside the rules. You are just looking for the kind of quality leadership which would take a union back to where you want it to be which is, there's no reason for it to exist except to improve the lives of its members. I don't know how you do that. I really

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don't. And it really is - I'm so grateful you brought that up because I'll think about that on the flight home, Commissioner, about that history of the accord; something about which there's been a lot of thinking and a lot of writing.

5 But I guess it shows a bias of mine when I believe in the central trade union
authorities rather than the outliers. Maybe that just reflects some prejudice of mine.
Of course, the AWU in Queensland was only relatively recently a member of the
QCU under Mr Ludwig. They said, "No, we don't need you." It was more or less the
10 same thing, they said, "We're powerful enough by ourselves." What is the solution to
all of that? I'm not sure.

COMMISSIONER: It seems to be a catch-22. If you've got good leadership then
that leadership will do as it's done for decades: abide by the decisions of the
15 collective, the QCU and the ACTU, and you won't have this break-out of industrial
carnage between the unions which has all the spillover effects, particularly as we're
seeing now. Well, I shouldn't say "we're seeing". The evidence to date, yet to be fully
tested, is suggestive of a spillover and if you don't have good leadership, then there's
nothing the QCU and the ACTU can do.

20 **MR WATSON:** Well, it is - it is problematical, given the existence of the industrial
law in Australia and in some ways it's been this country's greatest strength. At the
same time it's presented real challenges and, depending upon your political outlook,
sometimes set it backwards. So many, many people in the industrial (indistinct)
25 regard the accord as a betrayal and then there are others who regard it as a great
moment.

COMMISSIONER: Nothing arising, Mr Costello?

30 **MR COSTELLO:** No, thank you, Commissioner.

COMMISSIONER: Where are we with the cross-examination of Mr Watson by
third parties?

35 **MR COSTELLO:** The only party upon whom there could possibly have been have
been an expectation to ask any questions in relation to Mr Watson's evidence of
yesterday and today, is the administrator. As I understand it, there's no intention on
the part of counsel here to ask any questions. That does leave over the question of
whether or not Mr Watson will be, at some point in time, cross-examined in relation
40 to the evidence that he gave at the first block. That is a matter of continuing dialogue
between at least the solicitors for Mr Ravbar and the solicitors assisting the
commission and I think perhaps also the solicitors for Mr Ingham, although I'm not
quite as up to date on that.

45 **COMMISSIONER:** Do you want to say anything about that, Mr Massy?

MR MASSY: Thank you, Commissioner. There is an application on behalf of my
clients to cross-examine Mr Watson in respect of his evidence given at the last

transcript hearing dates. That is the subject of ongoing discussion between counsel as to the scope and the timing of when that cross-examination may proceed.

5 **COMMISSIONER:** But you are not in a position to proceed today, presumably?

MR MASSY: No, Commissioner.

COMMISSIONER: And that's acceptable to the Commission.

10 **MR COSTELLO:** That was the agreed position and I have had conversations with Ms O'Gorman to that effect.

COMMISSIONER: Agreed with Mr Watson?

15 **MR WATSON:** I was just wincing a little.

MR COSTELLO: I hadn't sought Mr Watson's view.

20 **MR WATSON:** Do you mind if I have got to come back it not be in February? Pick a cooler month. Anyway.

MR COSTELLO: I can give you some assurance it's not going to be in February, Mr Watson.

25 **COMMISSIONER:** Mr Watson, I think you understood the point of the discussions that have just taken place and that depending how they play out, there may be some need for you to come back for cross-examination. I'm sorry that it couldn't be completed today.

30 **MR WATSON:** I was warned of this by Mr Costello.

COMMISSIONER: All right. Well, do we excuse Mr Watson?

35 **MR COSTELLO:** Yes, I think that is appropriate.

COMMISSIONER: You are excused, Mr Watson. Thank you very much for your evidence.

40 **MR WATSON:** Thank you.

<WITNESS EXCUSED

COMMISSIONER: Where do we go from here?

45 **MR COSTELLO:** I told Mr Watson we would be done at about 3 and it's 3.01.

COMMISSIONER: Well done.

MR COSTELLO: No further witnesses to call, Commissioner, and so unless there's anything I can assist you with, I propose we adjourn to the next hearing block.

5 **COMMISSIONER:** No other applications anyone wishes to make? Very well. We will adjourn until the next scheduled hearing. Please adjourn.

<THE HEARING ADJOURNED AT 3.02 PM UNTIL TUESDAY, 10 MARCH 2026