

stories. It will suffice to say that I was shown and told of evidence of explicit threats made by dangerous men, some with convictions for violence.

What has the CFMEU cost the Victorian taxpayer?

28. This assessment is obviously only rough – a proper assessment would require time, research, and the skills of an economist. What follows is only a guide, but it is based upon the opinions of highly qualified stakeholders.
29. The Government says the cost of the Big Build will be in the order of \$100 billion. Several industry experts were asked to express, as a percentage, their opinion about the additional cost incurred by the crime and corruption generated by the CFMEU. They had a concrete basis for formulating an opinion – they were accustomed to pricing civil engineering jobs *before* the CFMEU entered that field and knew how much higher prices became *after* the CFMEU became involved on the Big Build.
30. So even if this is a crude estimate, it has a reasonable starting point.
31. At one end, an experienced person estimated the actions of the CFMEU had increased costs by 30%. Most said it would be by between 15% and 20%. None said it would be less than 10%.
32. It is a very rough estimate, but 15% does not seem unreasonable; it is probably conservative.
33. From there the maths is simple – the leadership of the CFMEU has cost the Victorian taxpayer something like \$15 billion.
34. There is another point to this – as will be seen, much of that \$15 billion has been poured directly into the hands of criminals and organised crime gangs.

What does the future hold?

35. The matters addressed in this report are now matters of history. Making a record of that kind is both necessary and helpful. It is important to record what went wrong as part of identifying the path for the process of correction. It will also help prevent it from happening again.

99. There was no realistic practical response open to contractors apart from capitulation.
100. There is another real reason why contractors and regulators started avoiding conflict with the CFMEU. The CFMEU was actively employing criminals. The CFMEU was forcing contractors to employ patched bikies, meth-abusers, violent standover men, killers, boxers and cage fighters to send a message that they were not be opposed.
101. The CFMEU had succeeded in casting a shadow of fear over the whole building sector.

Governmental inaction on the CFMEU

102. In this section the expression "*the Government*" is used in the traditional broader sense to include both the Ministry and the bureaucracy. It is appropriate that politicians and public servants should share the responsibility for what has happened – for allowing the CFMEU to run out of control.
103. It is not as though the excesses of the CFMEU have been a secret: the CFMEU revelled in bad publicity. As early as 2010 the Fairfax press and the ABC were reporting that crime intelligence linked building industry corruption to bikie gangs, the narcotics trade, and the CFMEU. By 2014 there was further reporting revealing how the CFMEU was selling EBAs to crime figures. Victorians have been aware for years that the Union had become extremely aggressive and this was causing delays and costs blow-outs to government jobs.
104. If the press knew, then the public knew. If the public knew, then the Government *must* have known.
105. More to the point, as the guardian of public money, the Government had a *duty* to know. It had a duty to monitor delays and costs-blowouts. There is no doubt the Government knew about the rising problem – but it is equally clear that the Government did nothing about it.
106. The real question is – *Why* did the Government let these matters slide?
107. It is impossible in an investigation like this to get the answer to this question. My powers are limited and I have no access to government officials or records.
108. There is an ability, however, to form a theory.

109. Some have suggested that there was too close a link between the Labor government and the CFMEU. The idea was that this meant the Government did not act against its friend and ally - the Government was protecting the Union. But this is an inadequate and unsatisfactory explanation. Relations between Labor and the CFMEU had been deteriorating for some time, and subsequent events show Labor had no dependency upon funds from the CFMEU.
110. A better explanation is that the Government, just like the contractors, had been cowed by the combination of the industrial might of the CFMEU and its willingness to act outside the law. Just like the contractors, those in government feared that adverse industrial action would have shut down the Big Build, or at least large parts of the Big Build. They thought by passing the problem over to the private contractors it would go away.
111. The officials became power hungry. An experienced health and safety manager for a major builder, *Yokohama**, recalled one bizarre incident when the CFMEU blocked the Westgate Bridge and the organiser, Paul Tzimas, began shouting "*Fuck the Premier – we control Melbourne*".



Figure 1: Paul Tzimas

112. Mad as it sounds, Tzimas' words were indicative of what was happening – there were signs that the Government was giving way to the CFMEU.
113. An example: a highly respected and experienced person, *Milan**, explained how he showed a senior bureaucrat two tenders for a traffic control subcontract. One was \$70 million more than the other. This was, of course, public money. But the subcontract was awarded to the subcontractor asking for the higher price. Why? The decisive factor was that the higher priced tender was backed by a CFMEU EBA, the other tender was not.

114. That is just feeding the beast.
115. Costs blowouts are hardly uncommon in ambitious infrastructure projects – they are the norm rather than the exception. If the new transport services are good, the voters quickly forget the cost. There is a political imperative to get the job finished and to cut the ribbon which overcomes the underlying economic considerations.
116. Maybe it was thought that if the CFMEU was treated lightly the projects might progress more quickly.
117. Unfortunately, if that was the plan it did not work. If the Government was planning to pacify the CFMEU in the hope that projects would proceed smoothly, it was wrong; things only got worse.
118. The beast had escaped.

Mick Gatto

119. Mick Gatto has been a malignant influence on the CFMEU for decades.
120. Gatto claims he is a “mediator and arbitrator” but others – including a Federal judge – say he is “a standover man and a gangster ... closely associated with a number of violent and dangerous criminals in Melbourne ... and violent criminals in Sydney and members of bikie gangs”.¹¹ This has been recognised for a long time. In 2003 the National Crime Authority named Gatto as the head of a criminal network”.¹²



Figure 2: Mick Gatto – a gangster, a standover man, and a close friend of the Victorian CFMEU.

¹¹ These words were used to describe Gatto by a Federal Court judge, Justice Murphy, in the decision in *Rambalsi v Mullins (No 2)* [2016] FCA 977. As far back as 2002 Gatto was described as a standover man in evidence in the Royal Commission into the Building and Construction Industry.

¹² Cerberus Task Force, “An updated view of Cerberus”, March 2003.