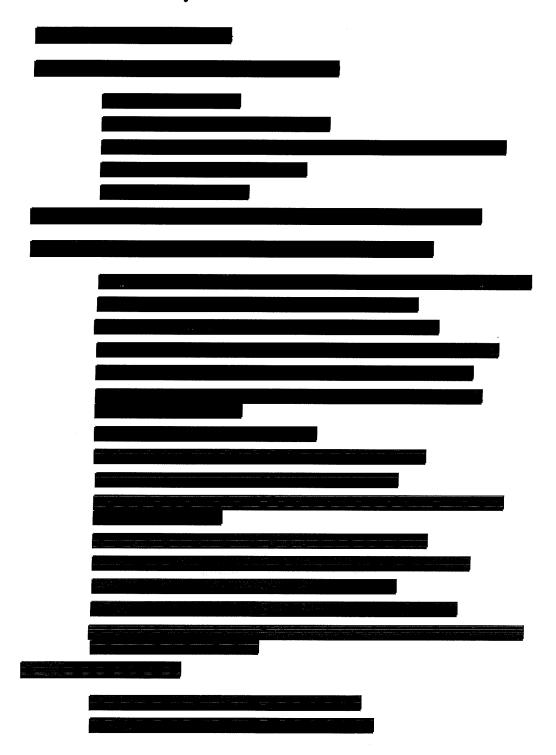
WITNESS STATEMENT

Christopher Paul BROWN

Filed by the Health Services Union



union called the Health Services Union. It is registered under the *Industrial Relations Act* 1996 (NSW)('the State Act'). Between May 2010 and August 2012 it was named HSU East. It is referred to below as the State Registered Union. It has at all material times maintained separate registration under the State Act. Its members and officers are identical to the members and officers of the NSW Branch of the federal union.

- 13. Copies of the relevant rules of the Union in force from 2000 to date are as follows:
 - (a) A copy of the rules as at 13 May 2000 (Tab 1A).
 - (b) A copy of the rules as at 29 November 2009 (Tab 1B).
 - (c) A copy of the rules as at 24 May 2010 (Tab 1C).
 - (d) A copy of the rules as at 21 August 2012 (Tab 1D).
 - (e) A copy of the rules as at 1 January 2014 (Tab 1E).
 - (f) A copy of the rules as at 5 June 2014 (Tab 1F).
- 14. Over the period from 2000 the rules of the Union were sometimes renumbered. They were significantly altered in August 2012, December 2013 and June 2014. This makes referring to a rule by a particular rule number potentially confusing. Most of the discussion in this statement concerns events prior to August 2012. For that reason when I refer to the rules of the Union in this statement I am referring to the rules in place as at 1 January 2010 being the 29 November 2009 rules at Tab 1B. If there is a relevant change in the rule (other than renumbering) I have attempted to identify it in this statement.
- 15. But for some relatively minor matters mentioned in **paragraphs 16 21**, I agree with Ms Jackson's description of the structure of the Union in pages 8-29 of her statement.
- 16. Ms Jackson says in paragraph 10 of her statement that the Union has ten branches. It has nine. There is now only one branch in Tasmania.
- 17. In paragraph 10 of her statement Ms Jackson says that the Queensland branch of the HSU is effectively non-operational. On the application of the Union under s 323 of the FWRO Act in about March 2014, Justice Jessup made

Branch before it) commenced descending into dysfunction, neither I as Acting National President nor Ms Jackson as National Secretary or, quite probably, the National Executive and the National Council, had sufficient power to fully resolve the crisis.

- 20. Ms Jackson says in paragraph 22 of her statement that 'the primary significance of (the office of National Secretary) is in the public voice that the title confers on the holder of the office'. The functions of the National Secretary are set out in rule 26. None of them refer to the National Secretary being the public voice. Rather they confer functions which are not dissimilar to that of a Managing Director, subject to board direction. The problems with Ms Jackson speaking with one voice on behalf of the Union when the National Executive wished different things to be said on behalf of the Union are discussed below in paragraphs 246-253, 311-324, 330-335.
- 21. Ms Jackson says in paragraph 30 of her statement that during the period 1996 to 2010 she was Secretary of the No. 3 branch. This is not correct. In January 2008 she resigned as Branch Secretary and was replaced by Mr Yeates. Mr Yeates then stepped aside on about 13 May 2008 and Ms Jackson was reappointed as Branch Secretary. The circumstances of that change are discussed further below in paragraphs 124-131.

Key officers and the positions they held

- 22. **Ms Jackson:** Ms Jackson became a member of the Union in about 1993. She worked initially as an organiser or industrial officer within the Victoria No 3 Branch. That branch is principally responsible for covering employees who are health professionals, such as physiotherapists. She became Branch Secretary of that branch in about 1997. She continued to hold that role up until the Branch merged with two others in May 2010 (subject to a short period between January 2008 and May 2008).
- 23. From about 1997 as Branch Secretary, Ms Jackson also served on the National Executive. She became the Senior Assistant National Secretary in about 2004.

- 28. **Craig Thomson:** Mr Thomson was the Assistant Secretary of the NSW Branch and the state registered union from approximately 1999 to 2002. In 2002 Mr Thomson replaced Mr Elliott as National Secretary. Mr Thomson resigned his position when he was declared elected to the federal parliamentary seat of Dobell on 14 December 2007. In March 2014 he was convicted and sentenced for various offences concerning fraud arising from his period as National Secretary.
- 29. Robert Elliott: Mr Elliott became a member of the Union in about 1986. Mr Elliott was a member of the National Executive and National Council of the Union from 1986 until about 2002 and was the National Secretary of the Union from about 1996 to 2002. Between about 2006 and November 2012 he was engaged by the Union in various roles, or was at least paid by one of its branches. In 2005 and 2006 he was paid by the Victoria No 1 Branch. Mr Jackson was secretary of that branch at that time. Between 2007 and 2010 he was paid by the Victoria No 3 Branch. Ms Jackson was the secretary of that branch at that time. From the late 1990s until at least 2012 Mr Elliott and Ms Jackson were close friends. He was a member of the Jacksons' faction.
- 30. Peter Mylan: Mr Mylan was an Organiser in the HSU NSW Branch and the state registered union from approximately the early 1990s. He became Assistant Secretary of the HSU NSW Branch and the state registered union from 2002, replacing Mr Thomson. From the creation of HSU East on 24 May 2010, Mr Mylan held the position of Deputy General Secretary and was Acting General Secretary after Mr Williamson stepped aside on 22 September 2011. Mr Mylan was a member of the Williamson faction. After Mr Williamson stepped aside, he was aligned with Williamson rather than Ms Jackson.
- Jeff Jackson: Mr Jackson was the husband of Ms Jackson between about 1995 and 2009. He was Assistant Secretary of the Victoria No 1 Branch between about 1992 and 1996. He was then engaged between about 1996 and 2000 as the National Liaison Officer, based in Melbourne and working from the same office as Mr Elliott. He then served as National Assistant Secretary from about 2000-2002. Mr Elliott was the National Secretary at the

since that date. Mr Williams was appointed Assistant Secretary of the Union in late 2011 following the retirement of Denise Guppy. Mr Williams was a key member of the small branches' group.

36. **Denise Guppy:** Ms Guppy was the Assistant Secretary of the Victoria No 2 Branch between about 2002 and late 2011 when she retired. She was a member of the National Executive during that period. She was Assistant Secretary of the Union in approximately 2007 to 2011. She was a member of the small branches' group. With Ms Bradbury, she played a key role, discussed in **paragraphs 143-148**, in pursuing and detailing the wrongs of Mr Thomson at an early stage in the investigation.

The National Council, the National Executive and the National Officers

- 37. The National Council is the supreme governing body of the Union. It is vested with management and control of the affairs of the Union. Its powers and duties are set out principally in rule 21 of the Union rules. Its meetings are usually held in October or November each year. Its members may also vote on resolutions outside of the usual meetings. It has the power to amend the rules of the Union. From 2000 to late 2011 it was controlled by the Williamson Jackson's faction described, discussed in paragraph 46.
- 38. The National Council, under rule 20, consists of the 7 National Officers of the Union and delegates elected by and from each Branch on the basis of 1 delegate for every 1,000 members or part thereof up until 10,000, and 1 delegate for every 2,000 members thereafter. Prior to May 2010 the formula was that the National Council delegates were elected on the basis of one delegate for every 1000 members or part thereof. In the May 2010 rule change that formula was altered to ensure that HSU East Branch did not have an absolute majority of both National Council and National Executive.
- 39. Pursuant to Rule 29B the National Officers of the Union are elected by National Council and hold office for 4 years. There are 7 National Officers listed in rule 19. At various times over the period 2002 to late 2011 there were 6 National Officers. During that period Mr Williamson and his nominee

- (f) the two National Trustees Mr Hill (who was also WA Branch Secretary) and Iris Knight (from the NSW Branch).
- 43. By virtue of the operation of the rules, the voting power of the branches within the National Executive and National Council was roughly proportionate to the number of members of the Branch.
- 44. I set out below the membership numbers of the Union as at 2005 and the end of 2009. The number of members in each of the branches remained reasonably stable between about 2000 and 2012. Some branches declined by about 10%; others increased by 10%. But by and large they were reasonably stable.

	2005	N. Ex	Nat Co	2009	N. Ex votes	- Nat Co votes - 2009
	members	votes 2005	votes - 2005	_	2009	- Nat Go votes - 2009
NSW	36,660	37	37	38,025	39	39
Vic No 1	13,586	14	14	15,187	16	16
Vic No 2	5,798	6	6	6,124	7	7
Vic No 3	3,730	4	4	5,080	6	6
Vic No 4	2,183	3	3	2,794	3	3
Tas No 1	7,472	8	8	7,714	8	8
Tas No 2	52	1	1	36	1	1
SA	372	1	1	685	1	1
Qld	203	1	1			
WA	3,840	4	4	4,865	5	5
National Officers		7	7		7	7
Totals	73896	86	86	80510	93	93

- (a) The Williamson faction. This was centered around Mr Williamson himself. It consisted of the New South Wales members of the various National forums. In the period 2002 to May 2010 the Williamson faction held approximately 40-45% of the voting power on the National Executive and the National Council. From May 2010 - June 2012 the Williamson faction held about 70% of the voting power on National Executive. On National Council the voting power was more finely balanced after May 2010. NSW Branch had 33 of the 67 votes on National Council, but it could rely on the fact that three of the National Officers (Mr Williamson, Ms Jackson and Ms Knight) would vote with the Williamson faction. The control of Williamson over the National Council was fortified by the fact that by virtue of Rule 54(j), branch committees were entitled to instruct its delegates to National Council on how to vote on any matter. As a matter of practice the votes cast by the National Council delegates were almost invariably cast as a block from that Branch. In effect, when Williamson determined that the New South Wales National Council delegates would vote in a particular way, it was extremely rare for any of those delegates to vote in a contrary way except for one occasion in April 2012. This block voting is also true of the delegates from each of the other branches.
- (b) The Jacksons' faction. This was based on the Victoria No 1 and No 3 branches. From 2002 to mid 2009 Mr Jackson was Secretary of the Victoria No 1 Branch. His wife Ms Jackson was Secretary of the Victoria No 3 Branch (and from 2008 also National Secretary). Until the May 2010 HSU East merger they held approximately 20 25% of the voting power on the National Executive and the National Council.
- (c) The small branches' group. This consisted of the 7 other branches although some, such as the Victoria No. 4 and Tasmania No. 2, Branches had little factional involvement. Between 2002 and 2011 the small branches' group held approximately 35% of the votes at various National forums.

- 52. Mr Jackson has now admitted in the Federal Court to various breaches of the FWRO Act consisting of financial mismanagement of the Union's funds and using the Union's funds to go on trips with Ms Jackson. Mr and Ms Jackson voted together always. After Mr Jackson was removed from office, Ms Jackson supported Marco Bolano to be elected Secretary of the Victoria No 1 Branch. Mr Bolano has explained that Ms Jackson partly funded his campaign. From about August 2008 Mr Jackson ceased to have involvement in the industrial affairs of the Union, subject to a series of payments Ms Jackson made to him from Union funds (referred to in **paragraphs 521-523**) and the Union seeking compensation from Mr Jackson in Federal Court proceedings arising from the contraventions referred to **paragraphs 62-66**.
- Between around late 2007 and approximately September 2011 the Williamson and Jacksons' factions were essentially merged. From late 2007 Mr Williamson supported Ms Jackson to be National Secretary. His decision was opposed by the small branches' group, but with the Jacksons' and Williamson factions voting together, we were outnumbered. The fact that those in the Williamson faction and Jacksons' faction voted the same way on every resolution is not a criticism. It is merely an observation of the voting patterns. This is no doubt a reflection of their agreement of mutual support. From March 2012, this agreement gave effective force to the Memorandum of Understanding reached between Mr Williamson, Ms Jackson and Mr Bolano in March 2012 that certain people would be supported for positions in the upcoming elections as part of a team nomination. (see Jackson MFI-1 at Tab 5, page 286 at paragraph 1).
- The Williamson-Jacksons' factional alliance broke down in about September 2011. This arose out of Ms Jackson, quite rightly, making allegations against Mr Williamson about certain behavior that later led to criminal charges brought against Mr Williamson. This breakdown and the events that followed it is discussed in more detail later in this statement.

Overview of proceedings concerning corruption or dysfunction

Industrial Relations Act 1996 (NSW). It was introduced, passed and proclaimed within a fortnight. The amendment granted the New South Wales Industrial Relations Commission the power to make orders similar to those made under s.323 of the FW (RO) Act. The grounds on which it could do so were also similar. An application was then made to the New South Wales Industrial Relations Commission relying upon these powers. That application was then removed to the Supreme Court of New South Wales and then crossvested to the Federal Court: [2012] NSWSC 552. As a result, Justice Flick had before him applications made under both the Federal and State Acts.

- 58. The only Respondent who filed substantive material in opposition to the application was Ms Jackson (though there was some slight material filed by the NSW Minister as an intervener). By the time the matter was listed for hearing before Justice Flick in early June 2012, the parties had reached an agreed statement of facts: see decision at [61]. There was an agreement that there was dysfunction within the Branch and state registered Union.
- There were very few questions that Justice Flick had to determine: the first was 59. the identity of the administrator. All of the parties and interveners, other than the New South Wales Government and Ms Jackson, supported the appointment of the recently retired former Federal Court Judge, the Honorable Michael Moore. His Honour determined that he was an appropriate person to be appointed: decision [112] - [126]. The second question was whether an order should be made by the Court for the demerger of the three branches or that issue should be determined by the Administrator. The Court made an order for the demerger of the branches: decision [148] -[155]. The third issue was whether Ms Jackson should remain in office as Executive President of the Branch and State registered Union or whether she, like the other 85 officeholders, should be removed from office. determined that she should be treated in the same manner as all of the other officeholders: decision [127] - [147]. The consequences of this latter aspect are the subject of Ms Jackson's salary claim noted in paragraph 79.
- 60. After the appointment of the administrator there were approximately five further interlocutory applications over the ensuing five months of the

- d) Jackson admitted contravening s285(1) by failing to provide or retain receipts in respect of \$4,128 of credit card expenditure which he obtained reimbursement from the Branch:89(d).
- e) Jackson admitted contravening s285(1) by orally directing Wills to make three additional payments of salary to him, each of \$5,000 without proper authorisation from the Branch Committee: 89(e).
- f) Jackson admitted contravening \$285(1) by orally directing Wills to make an additional payment of \$5,000 to Ms Alex Hicks, who was employed by the HSU in the Branch without proper authorization from the Branch Committee: 89(f).
- g) Jackson admitted contravening s285(1) by permitting the Branch to pay \$1,289.20 for flights and accommodation for both himself and his spouse to travel and attend the wedding of Ben Morgan, a staff member of the Branch: 89(g).
- h) Jackson admitted contravening s286(1) for the same conduct as in subparagraph (g):89(h).
- i) Jackson admitted contravening s287(1) for the same conduct as in subparagraph (g):89(i).
- j) Jackson admitted contravening s285(1) by failing to sign application for annual leave that he took and cashed out, and failing to arrange the authorization of the taking and cashing out of annual leave:89(j)
- 64. There were nine contraventions by the Union. They consisted of:
 - a) The HSU admitted a contravention of s253, by the Branch failing to disclose in its 2006-07 financial report, the nature of the related party relationship and related party transactions between the Branch and Philip Grima: 32(a).
 - b) The HSU admitted a contravention of s253, constituted by the same failure by the Branch in its 2007-08 financial report: 32(b).
 - c) The HSU admitted a contravention of s253 constituted by the failure of the Branch to disclose in its 2007-08 financial report, the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of

- c) Statements of agreed facts and admitted contraventions as between the Applicant and the Second Respondent (Tab 5)
- d) Statement of agreed facts and admitted contraventions as between the Applicant and the Third Respondent (Tab 6)
- e) Statement of agreed facts and admitted contraventions as between the Applicant and the Fourth Respondent
- f) Statement of claim (Tab 7)
- g) Amended Defence (Tab 8)

General Manager FWC ν HSU - VID 1128 of 2012 - the Thomson contraventions by the Union

- 67. The applicant in this matter was the General Manager of the Fair Work Commission. The Respondent is the Union. These contraventions arise from a report by Terry Nassios into contraventions of the FW(RO) Act arising from the conduct of Mr Thomson and conduct of the Union during, or shortly following, his term of office. The Union agreed that it had contravened the Act in two respects arising from these proceedings. The operating report for Mr Thomson's final year in office and the committee of management statement were not filed in accordance with the FW (RO) Act. Those contraventions lead to an agreed penalty. The matter was determined by Justice Middleton in December 2013: [2013] FCA 1306.
- 68. The contraventions of the Act, admitted by the respondent, were:
 - a) The HSU admitted to contravening s 253 by failing to as soon as practicable after the end of the 2006-07 Financial Year, to cause to be prepared a Committee of Management Statement in relation to the GPFR for the 2006-2007 Financial Year, in accordance with the 2004 Reporting guidelines
 - b) The HSU admitted to contravening s 254 by failing to prepare the Operating Report as soon as practicable after the end of the 2006-07 Financial Year, and the Purported Operating Report which was send on or about 30 April 2009 was not signed or dated.

- e) Breached s 285, s 286 and s 287 by employing an officer without authority and paying for her credit card expenses, principally for the purpose of his election campaign
- f) Breached rule 36b, s 285, s 286 and s 287 by spending funds of the Unions on his campaign for Dobell
- g) Breached rule 36b, s 285, s 286 and s 287 by incorporating an association called Coastal Voice, directing employees to perform work on Coastal Voice and expending funds on Coastal Voice for the purpose of promoting Craig Thompson's profile in the seat of Dobell
- h) Breached rules 36b, 36g, s 285, s 286 and s 287 making a donation by purchasing Golden Years Collectibles memorabilia and donating the memorabilia to the ALP for use in raffles for purposes of receiving pre-selection in the seat of Dobell and improving prospects of being the elected member of Dobell
- Breached rules 36b, 36g, s 285, s 286 and s 287 by making a donation to Dads in Education Father's Day breakfast without authorization and for own political purposes
- j) Breached rules 36b, 36g, s 285, s 286 and s 287 by making a donation to Central Coast Convoy for Kids without authorization and for own political purposes
- k) Breached rule 36b and s 285 by making an agreement to sponsor Central Coast Rugby League without authorization
- Breached rule 32f and s 285 by failing to lodge a return pursuant to s 237 of the Act
- m) Breached rule 32e and s285 by taking annual leave without authority to campaign in Dobell
- n) Breached s285 by failing to prepare policies and procedures relating to credit card and travel related expenditures
- o) Breached rue 36b and s285 by making a payment to Michael Williamson's wife without authorization
- 73. The Statement of Claim (Tab 11A).

week by late 2009. In February 2010, on about the date that the Victorian No 1 Branch, Victorian No 3 Branch and New South Wales branches agreed to merge, Mr Elliott entered into a contract. It was executed on behalf of the Union by Ms Jackson and Mr Williamson. Pursuant to the contract Mr Elliot was entitled to be paid \$2,000 a day. The contract was kept secret: it wasn't brought to the attention of the Finance Committee or the National Executive. Although Mr Elliott was paid under this contract, on the best evidence the National Officers currently have he didn't perform any work. I discuss this matter in more detail in **paragraphs 344 - 377**.

Toomey Pegg

77. This is a claim by the Union against Jackson. It was commenced in the Federal Court. The Union's claim is for breach of statutory and fiduciary obligations by Jackson. At the heart of the matter is a retainer Jackson entered into with a firm called Toomey Pegg. In essence, in December 2011 Nassios informed the Union and Jackson that he proposed to issue a report finding that they had contravened the FW(RO) Act. They were both given an opportunity to respond to those allegations. The Union engaged solicitors to respond to the proposed findings. Jackson also engaged solicitors. She did so on behalf of the Union and using the Union's funds. She did not inform the Finance Committee or the National Executive of her commitment to this expenditure, or that she had received a letter herself detailing what were alleged to be contraventions by Ms Jackson. She spent about \$40,000 without authorisation. This is discussed in more detail in paragraphs 378 - 417.

Jackson's claim for salary

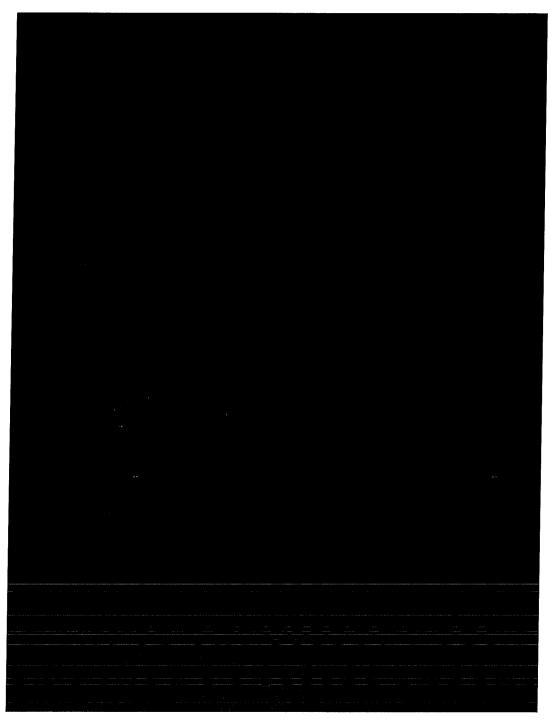
78. Jackson has made a cross claim. Her claim is that she is entitled to be paid her salary as from the time she ceased to be Executive President of the Branch in June 2012 until the current time. Her claim is based partly on a claim pursuant to the Rules (which the Union understands to be a claim in contract), estoppel by representation, issue estoppel and estoppel by convention. Broadly speaking the dispute is as follows: prior to May 2010 under the Rules the position of National Secretary was a full-time position. Jackson then

balance as to amounts lost by the Union through overcharging by suppliers under arrangements with Williamson.

- 81. The same NSW Supreme Court proceedings commenced 7 November 2012 included claims against former officials including Kathy Jackson challenging claimed payouts. These have been resolved (in all but one case, on instructions during the Administration) except in the case of Williamson and Peter Mylan. These settlements involved the officials effectively abandoning all additional unpaid post termination entitlements beyond those accepted by the Union. This included, in effect, setting aside the large pay increases granted by Union Council to senior officers in early 2011.
- 82. The same NSW Supreme Court proceedings commenced 7 November 2012 included a claim against Williamson's former deputy Peter Mylan seeking to challenge pay, superannuation and entitlement claims on grounds including breach of fiduciary and other duties, and also bringing a claim in negligence case relating the conduct of Union business. The Union alleges Peter Mylan was negligent in approving United Edge invoices. The was the IT supplier. The claim exceeds \$1m. Mylan denies the claim and is fighting the case.
- 83. Mr Peter Mylan commenced claims in the Federal Court in 2012, and which were in 2013 transferred into the same NSW Supreme Court proceedings. The Union is defending those claims. Mylan's Fair Work Act redundancy and notice claims were dismissed in the Federal Court proceedings.
- 84. In 2014 a further claim was made in the same Supreme Court proceedings, against management consultant Elizabeth Jensen for professional negligence regarding a report provided by her to the Union in connection with the 2010/2011 pay review process. Those proceedings are defended.

HSU v Cheryl McMillan and Alf Downing

85. Separate NSW Supreme Court proceedings commenced in December 2013 against the former purchasing officer Cheryl McMillan, and against Alf Downing the former director of a supplier, in connection with merchandise

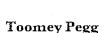


Planning for a post-Williamson world

267. **Dead man walking**: One factor influencing my thinking from about November 2011 onwards was the future of Mr Williamson within the organisation. By that stage there had been a series of very serious allegations published about Mr Williamson in the media. They included allegations

Notwithstanding all of the matters that had arisen in the previous 9 months, Mr Williamson considered he was an appropriate nomination by the Union to that board and applied to the Union pursuant to the appointments process adopted in November 2011: see **paragraph 297**. I was dumbfounded that he still thought that such an application would be given a moment's consideration. On the other side of the ledger was Ms Jackson. She had in September 2011 been admitted to a psychiatric institution. She was disrespected almost universally within the small branches' group and detested almost universally by those in Mr Williamson's group. She was somewhat erratic for the 6 months from September 2011. In dealings with her she was emotionally fragile. This is not a criticism or trying to demean her. She had gone through an ordeal and I had not reason to doubt her when she said she was ill. I raise these matters to illustrate that I was seeking to steer a difficult course between Jackson and Williamson so as to ensure that in a post Williamson world there was an effective union.

- 271. After the HSU East Union Convention, discussions were held between Mr Williamson's faction and the small branches' group. Representing the former were originally Mr Mylan, though it became apparent very early on in discussions that it was not possible to have meaningful negotiations with him in circumstances where he wasn't fully across the issues and Mr Williamson was ultimately calling the shots. I had a series of meetings (2 or maybe 3) face to face with Mr Williamson. In about mid to late November there were some New South Wales officials present at the meeting. I also had one of the other members of the small branches' group present at these meetings.
- 272. The position advanced by Mr Williamson's faction was that there should be a demerger of the HSU East Branch. Mr Williamson assumed during the course of the negotiations that he would have to pay a "price" for such a demerger. That is, that he would have to give in to some requests from the small branches' faction to achieve his objective. He stated that he wanted the support of the National Executive and National Council to give the demerger a sense of overwhelming support. What Mr Williamson did not know (as I never told him) was the fact that the small branches' faction supported the demerger outside of any deal that could be done. Whether or not he had



In brief, this matter concerns the first real post — Craig Thomson test of what the Union would do when its new governance policies were breached in a way that led to the Union suffering loss. As noted in **paragraph 141**, after Mr Thomson ceased to be National Secretary and new financial governance policies were put in place to regulate what the National Secretary could and could not spend monies on and the process that needed to be followed to ensure that payments were properly authorised. As also noted in **paragraphs 155 - 166**, Ms Jackson repeatedly failed to comply with the financial governance policies after they were implemented. It was not until January 2012 that those contraventions caused loss to the Union. It arose in circumstances in which she went and engaged lawyers to represent her without authorisation. The Union had to ultimately pay the bill of lawyers and has sought to recoup the money from Ms Jackson.

