

Afternoons with Michael Smith: Full Show 7th January 2014 - audio player

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(0.33)

Michael Smith: Good afternoon Sydney, good afternoon Australia, the greatest country on earth. You know, we may lose our way from time to time but my goodness, we find it again. We found it again in relation to, well, a little part of Australia, and that's me, my life, and Bob Kernohan's life. Bob Kernohan, former President of the Australian Workers' Union is in the studio with me this afternoon, just like he was two and a half odd years ago, two and a half odd years ago. Two and a half years ago Bob Kernohan tried to tell a story that was important. It was central to the leadership of the country, and the leadership of the country was able to shut him down, and a weak media stood by and watched it happen, and didn't so much as lift a finger. We're going to learn from that. We're going to hear the story this afternoon that led to that egregious set of circumstances where a decent Aussie bloke couldn't turn to a free and open media to have his say. Bob Kernohan will tell you the story of the AWU scandal, the interview they tried to ensure you never heard, after three.

(36.30)

Michael Smith: ...We'd love to hear from you because it's got all the hallmarks of, you know, uncertain... financials, shall we say. Very much like the AWU scandal, and after the news we're going to get stuck right into it.

(37.04)

Michael Smith: Just over two years ago, I went into work one day. I had just completed a series of broadcasts related to Craig Thomson. And I interviewed Mr Thomson, and in the course of an interview with him on the radio, Mr Thomson told me that he had authorised the use of Health Service Union money to pay when prostitute bills came into the union head office. Because we'd done that story, a lot of union people started to write to me, and confided in me, and I started to learn about a fascinating scandal that dates back to 1986 when a young union official with the Australian Worker's Union led a group of workers in, well really, they hijacked an oil rig offshore Western Australia. It was part of Woodside's North Rankin's set up there, in the north-west shelf. Really big money. I mean it cost millions when they had to shut this rig down. A lot of unionists out there wouldn't let helicopters land, these images went around the world, and they cost the economy in the west heaps, and they felt a bit of power. And one of them was Bruce Wilson. He is the man at the centre of the AWU scandal.

Now, you know the name Bruce Wilson. He was the romantic partner of Julia Gillard, she a lawyer at Slater and Gordon, he, the union official. This year you're going to hear that name quite a bit as the crimes work their way through the police investigation process, through the criminal justice system, but also as a Royal Commission of Inquiry gets underway to get to the bottom of union related frauds.

So after that Woodside sit-in had shot Mr Wilson to fame, you know in union circles, he hooked up with a bloke who is probably the most influential figure in the Labor party and the Labor movement

in Australia, and that man is Bill Ludwig. Bill Ludwig is currently the President of the Australian Workers' Union. Now the AWU, that's the union at the heart of this scandal. It's also the union that installed Julia Gillard as Prime Minister when she rolled Kevin Rudd. So this bloke Bill Ludwig, you could picture him, he's a bloke in the paper holding up Miss Gillard's hand at the AWU conference. He was elected to the position of President of the union in the late '80's. Here's the fascinating thing you may not know. When he was elected, his running mate as Secretary, so Bill as the President, the other bloke on the ticket with Bill, to be the Secretary of the AWU was Wilson, Bruce Wilson, Julia Gillard's boyfriend. Bill Ludwig used to say at the time, this bloke Bruce Wilson, potential Prime Minister, going to end up running Australia. Exactly what we want, the bloke who'd led that illegal occupation out on the oil rig.

Now Wilson dipped out on being the National Secretary back in the late '80's, he didn't get the job, but Bill looked after him because that's the way of those unions, and Bill had him installed as the State Secretary of the AWU in Western Australia. And then, Mr Wilson started to wield real power, and cost real money in strikes, industrial disputes and what have you, and started to swing a bit of weight around and get his way. Now this is only going to take a little minute to explain what really is at the heart of this thing that you hear about, you read about in the paper, called the AWU scandal, and we got time to do it now. We got the next hour, Bob Kernohan's here and he's going to take your calls and answer your questions.

So let me tell you the story. Bruce Wilson is the AWU State Secretary in Western Australia. It's the early 1990's, it's the tail end of Brian Burke and WA Inc. There'd been a Royal Commission that was starting to tease out the corruption, and here are a few of the names, you know, Alan Bond and... Connell, "Last Resort" Laurie, people of my vintage, you know who I'm talking about. In the West business was tied up with government and if you paid money, things happened. It helps to understand a little about the Labor party, and that's where Brian Burke came from, the old premier in Western Australia. And to understand a little bit about it, here's what John Faulkner had to say about his own pa-, you know John Faulkner, elder statesman, Labor party godfather. He said this about unions and the extent to which unions controlled the Labor party. He said "The factional system in Australian Labor, it's not really about ideology, it's about patronage. It's about looking after people who've looked after you. It's about owing favours, and paying back on favours." John Faulkner pointed out that those factions controlled unions. They also control Labor, and when Labor is in government, they control the government of the country. It's simple. And he described the typical career path for aspiring political apparatchiks, he said "Probably a uni degree in Law or Industrial Relations, paid job in a union, leadership job in a union, various positions in the ALP, probably State Secretary, and then a seat in parliament. A seat in the Senate or a safe seat in the Lower House, maybe a Ministry or something like that. Look at Bill Shorten. That's exactly what happened to him. 1991, Bruce Wilson was headed down that path.

Now, he's hooked up with Julia Gillard and they started a pretty intense romantic relationship. She's a partner in the law firm that had the union as their client. Western Australia's parliament tells us a lot about what was taking place with Mr Wilson and the government of Western Australia in those years, the early 1990's. Been a lot of major industrial disputes in Western Australia's mining sector, and Bruce Wilson was central in them. You know, you could work out whether the disputes going to be quick, or protracted, bitter, or easily negotiated. Now for years leading up to 1991, anybody who lives in Perth could tell you about a huge project that was on the horizon that involved a lot of government money. And the project basically was to build a large canal that would connect a lake system that had got a heap of algae in it, it was dead, the land around it was all swampy, it was awful, just awful. And the government for many years had said we're going to put to tender this huge project, it's going to be worth \$60 million and we're going to build a mini-Panama canal, it's going to make canal living available and the land will be worth a lot more money and we're going to clean that lake up. So are you with me? The government's going to put it to tender. All contracting

companies in that business will get a chance to have a go, put their best foot forward, and for years, people had been preparing for the 1992 release of the tender documents.

Now I've got a couple of pretty good snouts in the west who tell me that Bruce Wilson, the union leader is in and out of the cabinet and lobbying on behalf of a company called Thiess, Thiess Constructions. Very keen to get that business. Thiess Constructions happened to be run by Wilson's brother-in-law, a bloke called Joe Trio. In December 1991, out of the blue, Carmen Lawrence's Labor government decided to hand the contract to build that big canal directly to Thiess. There was no process, there was no public tender, no competitive tension associated with Thiess getting the deal. Thiess was awarded the contract. Value? About 60 million bucks. That channel was due to take three years to build. Now Thiess executives, if you fast forward to today, they'll tell you this, they paid that union guy Bruce Wilson 300,000 bucks. It's about 0.5% of the contract value. When you look at it in those terms, you think wow, it sort of looks like a success fee, handing over that sort of money. It's gotta be a little bit weird, doesn't it?

And that is where the AWU scandal starts. For some reason known only to Wilson, in early 1992, so Thiess has just got this contract, he was desperate to get a legal entity created that had the name Australian Workers' Union in its title. That's so important because, without that, cheques etc made out to the Australian Workers' Union were no value to him, a lot of value to the union, the legitimate owners but not to Mr Wilson himself. In a moment, we're going to tell you the process that led to the establishment of that entity.

(47.08: Bob Kernohan interview starts)

Bob Kernohan - audio player

<http://www.2gb.com/audioplayer/27741>

Tuesday January 7, 2014

Michael Smith speaks with Bob Kernohan former President of the AWU, discussing the turmoil that resulted from him being unwilling participate in an unlawful cover-up.

Michael Smith: 1991. At the end of '91, Thiess was handed a contract to build this big channel, of about \$60 million worth. Now for some reason known only to Bruce Wilson, in early 1992, he was desperate to get this association set up with the name Australian Workers' Union in its title. Now that name already belonged to the union. But this association of his also had one other unique feature. It was a total secret.... a secret from everyone else in the AWU. It would be operated through a post office box that had nothing to do with the AWU. And judging by Mr Wilson's actions in early 1992, there was a helluva lot of desperation about getting it set up quickly.

What's clear now is that the Australian Workers' Union Workplace Reform Association was a sham. It was bogus. It was so obviously improper that one or two questions would have alerted any genuine enquirer that this is screwy. Wilson himself told the ABC's 7.30 report that WA's Corporate Affairs Commissioner refused to incorporate this association. Why? Well, hello. It's got the Australian Workers' name. It's a bit like you setting up the Qantas accounts receivable association, and then putting Qantas cheques in it. You can't do that. Why? Because you put Qantas cheques in it. They're not intended for you... Now keep this in mind if Thiess really wanted to pay money to the AWU they could just write out a cheque and pay money to the AWU. It had done it for years. The secrecy, the illegality, the absence of basic paperwork, like approval to use the unions name in the title. The fact that the WA Corporate Affairs Commissioner having made the initial and subsequent objections. The fact the sham association didn't have the minimum 6 members. The fact it sounded

like something that it wasn't. And this overriding urgency and secrecy should have had alarm bells ringing in the minds of people whose job it was to protect the interests of the union and its members.

But rather than alarm bells, in his lover Julia Gillard, Bruce Wilson found a helping hand, a lawyer who was prepared to bend or break the rules and bend or break the law. Miss Gillard chose to keep her work in setting up Wilson's association secret. Just like he did. She didn't even open a file. She didn't tell her partners, at Slater & Gordon. She did the work for free. She didn't send the AWU a bill. She told her boss, when she was sprung and parted company with the law firm, after Wilson himself was sprung and parted company with the AWU. She told her boss it was a slush fund, but that's not what she told the Corporate Affairs Authorities. She played along with Wilson's sham. And then when Wilson wanted to buy a house in Melbourne, she went to the auction. When Wilson didn't want it in his name, she drafted a power of attorney so the property would be in the name of Wilson's bagman, Ralph Blewitt. And her firm arranged a mortgage to fund the shortfall to buy the house after Wilson's slush fund kicked in the first 100,000 bucks. She wrote off the legal fees so he didn't get a bill from Slater & Gordon. She wrote off the mortgage fees. Her firm, her partners and herself allowed Wilson to sign all the paperwork to buy that property using the money from the dodgy slush fund with this power of attorney even though Blewitt was fit, sound of mind, capable, relatively young bloke, AND he was engaged with Slater & Gordon on other legal work that he was doing face to face at the same time. Slater & Gordon lumbered this bloke Blewitt with a \$150,000 mortgage. He says he knew nothing about. And certainly his wife knew nothing about it.

And all of this is screwy, right? Doesn't make any sense at all... unless you think about this. From January 92, when Thiess started to build that big channel, for its \$60million payment from the government, started in January 92. Every month this sham association that Miss Gillard set up, was sending out an invoice to Thiess and every month Thiess paid it until the total amount it had handed over got to 300 grand, 0.5% of the contract value.

The problem for Thiess and Mr Wilson is that the channel was completed nine months early. The work stopped. Thiess put it in its annual report. The champagne corks popped, water came into the channel, the workplace had been flooded, the Premier announced the opening. And for nine months after that Wilson's sham entity still sent out the invoices, Thiess still sent out the money for work that was never done. It was so obvious that it was a sham. It's impossible for it to be viewed any other way.

Miss Gillard was at the heart of it. The AWU itself was at the heart of it. And a man who sat and watched it, he watched the union that he loved, trashed, who spoke up about it and then had his career trashed and his life inexorably changed. It's my mate, the bloke who tried to tell this story two years ago. Bob Kernohan is with me.

Bob Kernohan: Good afternoon, Michael.

Michael Smith: Congratulations Bob. You made it.

Bob Kernohan: Yes, good afternoon Michael, and good afternoon to all the loyal followers of michaelsmithnews.com and all of the big broad family out there of 2GB listeners. Michael, I think it was very important to cover the detail in a very well condensed way, particularly for those people that are hearing this, perhaps for the first time.

Michael Smith: There's so much more to it, Bob. There's 25kg of gelignite in the back of a union car, and a plan to blow up a nickel smelter. There are other accounts in Melbourne, dodgy accounts that you told me about. Fill us in on those.

Bob Kernohan: Well, there was an account when Wilson moved to Victoria at the behest of Bill Ludwig. It's all to do with numbers in the AWU. Ludwig had the numbers and he wasn't going to give them up by hook or crook and he would use any method at his disposal, including putting someone

like Bruce Wilson, a bloke with a very poor track record in leadership, as was demonstrated in what Michael just alluded to. High jacking an oilrig platform - it's a pretty contemptuous act that, putting not only the lives of the workers on that platform in jeopardy, but also the lives of a lot of other people that weren't on the platform. Talk about the wives of those workers and their kids. But there's a lunatic run amok on an oil rig. That's the persona of Bruce Wilson. And that was his attitude, this carefree attitude when it come to, somebody elected to a position of authority in the union, as a custodian of the members' money. And he treated that position with the same contempt that he treated... his attitude to industrial relations.

Michael Smith: I've just described in some detail, Bob, the process that led to Thiess, one company, being parted from its ownership of about 300,000 bucks. But there were so many others. Woodside Petroleum, Thiess in the Melbourne Water contract, there were contracts left, well, not contracts, but there were deals and thuggery, standover tactics, left right and centre and ultimately about \$160,000 taken from companies in Melbourne and put into an account that was controlled by who?

Bob Kernohan: Bruce Wilson.

Michael Smith: And that money used for what?

Bob Kernohan: Well... it was used to buy, purchase a house in Kerr St, Fitzroy, a trendy suburb of Melbourne, where Wilson turned up at an auction this afternoon, one Saturday afternoon, a fine spring day with his girlfriend, the lawyer, the partner of a law firm Slater and Gordon at the time, one Julia Gillard. And they put in a successful bid to purchase a property. Back in those days, though I think, the property was sold, we, I have seen the details of this. But we're talking about 1993 and we're talking about valuations at that time. This, this property was worth over \$200,000 back as it was then. The money that was used to purchase that property, like put down the deposit etc, there was a cheque for \$67,500, that was written out from the Workplace Reform Association account

Michael Smith: AWU.

Bob Kernohan: AWU. I'm sorry Michael, you're so correct, that's...

Michael Smith: Essential.

Bob Kernohan: ...so important. So we're talking about this fund, that Michael has just given you the detail as to how this fund was initially established, what it was for, and what Wilson, now, was using it for. But not just Wilson. His girlfriend was a partner at Slater and Gordon. She was doing free legal advice and work for Wilson in his personal, private life capacity as well as charging the AWU, under Wilson's instruction, as the secretary to perform work supposedly on behalf of the members of the union, and one thing that always struck me, Michael, was, how did they split up the fee structure? She's doing freebies for Wilson, including legal freebies, and charging the AWU for services rendered. The fees I've always thought were negotiated over a candlelit dinner or between the sheets.

Michael Smith: That's right.

Bob Kernohan: It's an absolute disgrace.

Michael Smith: I heartily agree with that. And we're going to hear more about it. There's more to come out, there's the luxury of time right now and we've got all this hour to talk about it and take calls, and make sure that we nail it and get it right. You want to stick around?

Bob Kernohan: Absolutely.

Michael Smith: How are you feeling mate?

Bob Kernohan: Well, I wouldn't miss this for quids, Michael, to use an old expression.

Michael Smith: (inaudible)

Bob Kernohan: Michael, just quickly, without you my friend, this matter would have been dead and buried and I make no, that's, that's it, that is the (inaudible)...

Michael Smith: We'll talk about why it counts, why the matters counts shortly, cos it's got continuing effects, that are influencing people's behaviour, today .

(Break)

Michael Smith: This is 2GB, a great radio station, and I have in the studio as our guest, a former president of the Australian Workers' Union, Bob Kernohan, who was present in his role as president of the AWU in Melbourne during the time of the AWU scandal in the mid 1990's. Bob's been knocked around as a result of the fact he just wouldn't succumb to pressure to participate in an unlawful cover-up. He wouldn't do it. Why?

Bob Kernohan: Well, Michael, it's a question I've never, never really had to dwell on. I was brought up by a decent man and a lady, my father and mother, and... my upbringing and those principles that were instilled in me it would just be totally, totally impossible for me to respond, by accepting an inducement to keep my mouth shut like most other people involved in this particular scandal have copped their silence, and they've been awarded with seats in parliament, and I guess that's the only answer I can give you Michael, it's just it is not in me. And I'm not, you know.

Michael Smith: Were you offered a seat in parliament?

Bob Kernohan: I was, yes.

Michael Smith: And what was the price you had to pay?

Bob Kernohan: Keep my mouth shut, you know, that comes with the territory.

Michael Smith: When you didn't keep your mouth shut were you threatened?

Bob Kernohan: ... I was threatened when they could see that an inducement, like a seat in parliament being offered to me, by the Labor Unity faction in Victoria at the time. The faction that the AWU ultimately became beholden to. It was led at the time, when the inducement was made to me by Robert Ray, a federal minister at the time, for...

Michael Smith: Let, that's one name you've mentioned.

Bob Kernohan: Yes.

Michael Smith: And Bob, I know that there are others.

Bob Kernohan: Yes.

Michael Smith: I'm going to ask you not to mention further names...

Bob Kernohan: Okay.

Michael Smith: ...in relation to the inducements and threats. But I want to talk now, about the events that led to you pre-recording an interview with me. At 2UE, and the documents you were asked to produce. And how those documents came to be in your possession. Just give us a brief outline of what you had, what proof you had to substantiate the story you were telling.

Bob Kernohan: Well, in 1996, when there was a lot of discussion going on around the water cooler at the time at the AWU office about false bank accounts being discovered, and Wilson and others were involved in what looked on the surface to be corrupt activities. Ian Cambridge of the then general secretary of the AWU launched an investigation on behalf of himself and the then federal president Bill Ludwig, into to try to find out what these false bank accounts, I say false bank accounts, that is accounts that were set up with the AWU name on the...

Michael Smith: Can I lead you through it in the interests of time, Bob? And Mick Young, former AWU guy...

Bob Kernohan: Yeah.

Michael Smith: ...director of the board of the Commonwealth bank. Mick Young assisted. The Commonwealth bank said to Mr Cambridge, "Actually you know what, we've got all these accounts that have got the AWU in them" and nine months after Slater & Gordon got rid of Miss Gillard, the Commonwealth bank said, one of them's this thing called AWU Workplace Reform Association. Do you know anything about that Ian? Is that correct?"

Bob Kernohan: That's correct, yes.

Michael Smith: That came about as a result of the Commonwealth bank volunteering information back to the union.

Bob Kernohan: That's correct.

Michael Smith: Not the lawyer that set that entity up.

Bob Kernohan: Not the lawyer, in fact, the lawyer, Miss Gillard never assisted the AWU and its members to report anything, yet she was full, in full knowledge of that account the Workplace Reform Association and at no stage from right up until the time she was dismissed from Slater & Gordon, she still kept that information to herself.

Michael Smith: Just before she was dismissed from Slater & Gordon, she was asked, on the record, it was recorded, and it's been transcribed, about renovations to her own home. She said at the time "I can't rule out that money from that association was used in the renovations. Is that true?"

Bob Kernohan: Well, it was used, there's no question, it's no use trying to be evasive and say "I can't rule it out" to use her words. Money was spent. AWU members' money was spent renovating her home. Absolutely. I saw the contractors who performed that renovating work. I saw them come to the AWU office demanding money to be paid for the work that they performed, just after Wilson was... a deal was done to get Wilson out of the union whereby he received a package. So Wilson wasn't there to write the cheques out for them, to these people, the renovators, and they believed, quite rightly, that the union owed them money because the work that was authorised by Bruce Wilson was authorised by him in his capacity as the AWU secretary. So that money was paid I was told, Bill Shorten was involved in discussions to try and ...

Michael Smith: You're the president of the union at this stage.

Bob Kernohan: I was at the time, yes.

Michael Smith: So you've got a right and a responsibility to acquaint yourself with what's gone on with your finances.

Bob Kernohan: That's right.

Michael Smith: You've got contractors tum up. Bob, did you hear a contractor say, "I want my money in respect to the work I've done at that Julia Gillard's house?"

Bob Kernohan: I did, I've sent sworn affidavits off that I've now given to the police.

Michael Smith: Now Bob, you and I discussed this, in a, well in fact we did 2 pre-recorded interviews. You were asked to produce a range of documents, and you did, to my satisfaction. Tell me your reaction, when a media organisation decided that it wasn't satisfied that you're telling the truth.

Bob Kernohan: Well, it was another kick in the guts to me, and I was shattered, I could see about two days before I headed back home to Melbourne, about two days I could feel the coldness in the air walking around that studio at the time. I could, I just had the feeling, so, a feeling that I've had a few times in my life when you can sense that something bad is about to happen. And it did happen, and Michael, you were, you paid the penalty for doing the right thing, but...

Michael Smith: Well I don't know about that Bob. I don't think it was a penalty. I think it was... I think it was a great step forward in my life to part company with people who could act like that. I don't want to be there. Mate, I'm going to ask you something really pointed now. In 2008, Glenn Milne got onto this story. You'd been on it from the start. I mean, I've seen the paperwork, I've seen how you tried to have the truth told.

Bob Kernohan: Yep.

Michael Smith: You had a complete set of the documents. The bank accounts, the contracts, the contracts of sale, you had it all. And yes or no, there were...

Bob Kernohan: Yes.

Michael Smith: ... efforts made to get them back from you?

Bob Kernohan: Oh yes, yeah, and in fact those documents that really started a proper investigation into all of this were served on me, so, I didn't steal them from the union.

Michael Smith: (inaudible)

Bob Kernohan: They were served on me. They were my property.

Michael Smith: Your property, yep.

Bob Kernohan: And that set of documents, I reckon at the time I was served with those documents, there would have been probably 30 or 40 other sets of exactly the same documents.

Michael Smith: But they went back.

Bob Kernohan: They all disappeared.

Michael Smith: You had the only...

Bob Kernohan: They ALL disappeared.

Michael Smith: ... set.

Bob Kernohan: That's exactly right.

Michael Smith: It's a very important consideration in proving, in being able to prove that what you're saying is the truth.

Bob Kernohan: Well without the documents there was no...

Michael Smith: Because without the documents, it was, sorry, without proof that this is true, it would be defamatory of certain people and it would be improper to defame somebody's reputation.

Bob Kernohan: That's right.

Michael Smith: I know what you're telling me to be the truth. This radio station knows what you're telling me to be the truth. I want to ask you about an a-ha moment... that you and I had. Because when Glenn Milne got onto this story, and had published in the weekend press, Sunday newspapers in News Limited, that Julia Gillard had acted to incorporate the funds, the entity set up...

Bob Kernohan: Yep.

Michael Smith: ...the Australian Worker's Union Workplace Reform Association, that's the word he used, acted to incorporate it, she through her staff, sought in 2008, an urgent retraction saying "No, I did no such thing. I had no role, no nothing". And for many years that stayed in place. That was sufficient. She had no role, she wasn't involved in the incorporation. What was the a-ha moment that you had in that office with me?

Bob Kernohan: Yeah it was. I call it a game changer. It was the moment where you, through I've got no other way of saying it Michael. You are a professional, and your forensic police skills I think came

to the fore, when you decided to compare the handwriting that appeared. Out of the documents that I had - there was an application... to the Corporate Affairs Commissioner on Western Australia, to have this workplace, AWU Workplace Reform Association approved. And it had handwriting on it. I had noticed that, but it'd never struck me as to try to find out who may belong to that handwriting. But you did Michael. You had a moment. You just worked away in your own quiet style. And you had in your possession a handwritten letter that Miss Gillard had written to one of her constituents dealing with something else. But the handwriting was there, quite clear. You called me into the office and just said to me "Have a look at this". And I looked up.

Michael Smith: It proved that the denials were false.

Bob Kernohan: I just couldn't believe it.

Michael Smith: It proved that she had misled us in saying she didn't have...

Bob Kernohan: Yeah.

Michael Smith: ... a role. She did. And that was the point from which other things built. Now, at that time she was able, successfully, to shut down media reportage. What does it say?

Bob Kernohan: Well, it just indicates to me just how far this corruption and what people are prepared to do to preserve their own positions.

Michael Smith: And what others are prepared to do assist them to achieve that.

Bob Kernohan: Exactly.

Michael Smith: You're listening to Bob Kernohan, a man who for twenty years has suffered the slings and arrows of trying to speak the truth. Of trying to talk about a fraud, people who got away with ill-gotten money, they shouldn't have had. And people who've got positions of power and influence, and we'll get to some of them shortly. Cos they're right up there. One of them's prime minister with this in the background, with this hanging over their head, able to be used to achieve things advantageous to the union. Well, otherwise there could be a bit of drama with this coming. It's a most unhealthy, oh it's beyond that, it's corrupt. It is corrupt. And Bob's going to tell you the whole story. Cos we've got a supportive arm of the media here Bob. It feels good, doesn't it?

Bob Kernohan: Certainly does Michael.

Michael Smith: Bob, emails are starting to flow and we got a lot more to talk about.

Bob Kernohan: We have.

Michael Smith: We're going to talk about your protégé. The man you brought into the Australian Workers' Union.

Bob Kernohan: Yes.

Michael Smith: What was his name?

Bob Kernohan: Bill Shorten.

Michael Smith: We'll talk about that shortly. Here's one. "Michael, these words come to mind when I hear Bob Kernohan's story. Honourable. Decent. Brave." Did you feel those things when the boots started laying into you, when the car pulled up?

Bob Kernohan: No I didn't, Michael.

Michael Smith: Did you feel very honourable, decent or brave?

Bob Kernohan: No.

Michael Smith: They make you feel like a dog. That's their intention to get you down in the gutter and it is, it is a testament to the character of you Bob, that you can rise above it. And you are now

telling the story and you stuck with it, and you're right now in the process of doing it. Are you going to stick with me after the news?

Bob Kernohan: Absolutely Michael. I wouldn't miss it for quids.

Michael Smith: Good on you Bob.

Bob Kernohan: Yeah, who is Michael Smith?

Michael Smith: Yeah look there's a lot more to be told about this story, it isn't about me. It's about the AWU and it's about corruption.

(Break)

Michael Smith: Bob Kernohan, former president of the Australian Worker's Union in Victoria is in the studio with me. Let me read a few notes to you, Bob. This is from Kate. "Well done Bob. I'm so proud of you. I can hear the emotion in your voice. Keep up the good fight. You got loads of support out here in the community. If you're ever in Perth I'll gladly buy you a frothy." Peter says "Congratulations to two brave and honourable men of whom Australia can be proud. Let's hope 2GB can drive this matter through to national recognition. Perhaps even an ABC Four Corners program. Certainly it should be, by all rights, it should by all rights lead to Gillard losing her taxpayer funded life of luxury. Steven: "Great stuff Michael. Big warmth. Congratulations to Bob for his brave stand on the issue. Good to hear, to understand, to rationalise and to make up my own mind. Enough of the corrupt unions and slush funds". Bob, are you aware of a \$25,000 payment made to Bruce Wilson's slush fund in respect of a purported consultancy that never took place? Are you aware of that?

Bob Kernohan: Yes I am.

Michael Smith: Are you aware that that purported consultancy that never took place purported to clear... landfill that was in fact contaminated with asbestos and that as a result of the payment of \$25,000 Wilson sent men back in to work on it?

Bob Kernohan: Yeah that was to do with the Western Ring Road in Melbourne. It was a road construction job. AWU members were working on it.

Michael Smith: Are you aware of any AWU official who was made a director of the board of a Thiess company during the time of the AWU scandal?

Bob Kernohan: Yes I am.

Michael Smith: Who was?

Bob Kernohan: Bruce Wilson.

Michael Smith: Anyone else?

Bob Kernohan: Ah...

Michael Smith: Let me ask you.

Bob Kernohan: No I can't.

Michael Smith: Let me ask you. Well you can see the report from the Securities and Investment Commission. Was Robyn McLeod an official with the Australian Workers' Union during the AWU scandal?

Bob Kernohan: I almost forgot about Robyn. Yes, you're correct Michael. She was an industrial officer for the Victorian Branch and she was best friends with Julia Gillard.

Michael Smith: Was she a director of the board of one of the Thiess companies during that time?

Bob Kernohan: Yes, she was.

Michael Smith: Alongside Wilson.

Bob Kernohan: That's correct.

Michael Smith: This, during the time that Thiess paid payments in answer to invoices that described sham activities, and the activities didn't take place.

Bob Kernohan: That's exactly right.

Michael Smith: Now, I'm going to say, I'm going to paraphrase what the Chief Magistrate in Victoria said – in relation to the legal work that was conducted in the Industrial Relations practice at Slater & Gordon for the AWU, for Mr Wilson. The Chief Magistrate in Victoria's has looked at it, it's subject to appeal – it's gone to the Supreme Court. But his finding was that all of that work was done to further fraud.

Bob Kernohan: That's correct.

Michael Smith: How'd you feel when you heard that?

Bob Kernohan: I was elated, without being complacent, I've got to say, because I've been in this now for too long to get my hopes up, but that was a significant statement by the Chief Magistrate.

Michael Smith: Now there's a finding of fact, made by the senior magistrate in Victoria. The finding of fact is all that work was done for the furtherance of fraud. I wasn't elated when I heard it, Bob. I wasn't surprised when I heard it. To me it is patently obvious common sense. All of that stuff is fraudulent. I'm going to ask you some technical questions about the AWU and its name. Who owns the name AWU?

Bob Kernohan: Well, the members own it at the end of the day, but yes the union owns.

Michael Smith: Who can use it?

Bob Kernohan: People and branches and individuals could use it IF it was approved for use by the National Executive.

Michael Smith: What's the body within the union that can approve the use of the name AWU in an entity?

Bob Kernohan: The National Executive.

Michael Smith: Did the National Executive have a proposal brought before it for Miss Gillard to create this entity with the AWU's name in it?

Bob Kernohan: I wasn't on the National Executive at the time but I can say with all confidence, no.

Michael Smith: Were there rules associated with the use of bank accounts within the union?

Bob Kernohan: There is, and it's again the responsibility of the National Executive.

Michael Smith: And when a lawyer in an industrial relations practice is engaged to act in the interests of the client, like the union, tell me the extent to which you'd expect that lawyer to understand the rules of the union.

Bob Kernohan: Well, they'd have to have a comprehensive understanding because, in Miss Gillard's case, she was involved in demarcation disputes with representing the AWU against other unions and you have to have an intricate knowledge of the rules.

Michael Smith: Have you seen any work done by Miss Gillard in various court matters in which she refers to the rules of the union? She discloses an understanding of the rules of the union. Have you seen that sort of work?

Bob Kernohan: I have, absolutely.

Michael Smith: Are you sufficiently expert to give me an opinion on her understanding of the rules of the union? On the basis of what you've seen. You've seen her write about it. You've seen her go into court to talk about it.

Bob Kernohan: Yep.

Michael Smith: ...I can't, Bob.

Bob Kernohan: Michael, can I ask you...

Michael Smith: I lose, I lose, I lose my calm...

Bob Kernohan: Can I ask you a question?

Michael Smith: You may, you may, yep.

Bob Kernohan: Well I've never, I've been waiting for this opportunity actually. I've thought about it. It's no good asking you over a glass of beer at the pub, but I'd like to ask you on air, how did you feel when your former employer, that other place, took you off air?

Michael Smith: Oh, ah, shocked, um... terribly, deeply disturbed, because Bob, what that meant was, see I knew it to be true, I knew what you said to be true. I saw the documents. I had engaged Peter Faris QC. I had a QC's opinion, I had a range of questions that Miss Gillard refused to answer. And I had the handwriting evidence. I knew what you said to be true. And so when first that company said "We're going to say in our public statements no, you're wrong, Kernohan. "We can't let you go to air, we can't let you say that", I was shocked. When I was suspended I was shocked. When the rest of the nation's media did not come to the aid of the party, did not research, did not do the work and did not make its own mind up, I was disturbed. I was deeply disturbed, Bob. Because Australia needs to have confidence that 1) we got people that care 2) that we got people who have the competence to make a judgement and 3) that we have people who have the courage to look at fraudsters in the eye, extorters, blackmailers and stare 'em down. And not put up with it, and not bend to their way. Now the appointments that were made by her government, the laws that were made, the treatment of somebody like Craig Thomson and the caustic effect on confidence in the nation is so important to me. It really is so important Bob... So when the aggregate two years down the track now that I can look back and I can show to others the ruling that the Chief Magistrate made, which essentially over nine pages, is the same as what you and I did in the office you know, all those years ago. Now that you can show people that stuff, now that you can say there is a Victorian police investigation. They have raided her office with a search warrant and the search warrant said they wanted her personnel files, her travel details, her billings, the departure interview. Unquestionably, she is in the frame for her conduct in facilitating this major fraud. Now that we know police have said there are four categories of charge. Conspiracy is in there, conspiracy to cheat and defraud, giving and receiving secret commissions, creating false documents, and the fraud offences themselves. Now that we know all that, we got to think to ourselves how can it have been that we were prepared to ignore, and how can it have been therefore that we were prepared to treat you, the truth teller, so badly. And you just whispered Bill Shorten's name then Bob, you're right. His role's important and it's a continuing one. And we'll get to it in a minute.

(Break)

Michael Smith: Bob Kernohan is in the studio with me. Bob... "Best radio I have ever heard" says John on an email. About time the truth of Labor and its unhealthy relationship with unions was explained. Let's hope the courts can deal with these organisations in a proper manner". What is the relationship between the AWU and the federal parliamentary Labor party and the installation of a prime minister?

Bob Kernohan: A very poisonous relationship Michael. I never thought I'd see the day when someone like Bill Ludwig, if he was just driven by his own politics alone, that is his view of what politics should be. He's essentially a conservative. Something prompted Mr Ludwig to support the

likes of someone like Julia Gillard. Not just support her but install her into the highest office of this land. That..

Michael Smith: Yep.

Bob Kernohan: ...was Bill Ludwig's position.

Michael Smith: Yep, so by conservative you mean Bill Ludwig, Catholic, a right wing...

Bob Kernohan: Now I don't know whether he's Catholic or not but...

Michael Smith: Yeah, he went to Marist Brothers.

Bob Kernohan: But he's certainly right wing. Certainly right wing.

Michael Smith: A right winger.

Bob Kernohan: Yes.

Michael Smith: So nobody in the Labor party is a right winger. Julia Gillard from the left, a socialist.

Bob Kernohan: Yes.

Michael Smith: Headed up the Socialist Forum. Lied about her antecedents in that. I was just a typist. No in fact her role was significantly...

Bob Kernohan: Mmm

Michael Smith: ...greater than that. So you would not expect those two to back each other.

Bob Kernohan: Not under those circumstances, no.

Michael Smith: Bill Ludwig who held her hand aloft at the AWU conference and what did Paul Howes say to her? "We've got your back".

Bob Kernohan: That's exactly right.

Michael Smith: "We've got your back". What did you interpret those words to mean?

Bob Kernohan: I interpreted those words to mean deals have been done. Deals have been done to keep people quiet. If you think about it, and this is the way I see it.

Michael Smith: Yep.

Bob Kernohan: Gillard knows a lot, obviously because she was at the forefront in, when these fraudulent...

Michael Smith: She acted in concert with others.

Bob Kernohan: She did.

Michael Smith: Let's be clear Bob. Let me form the words for you. Stop me if it's wrong for you. She acted in concert with others to create this entity that used the AWU's name when they had no right to use that name. They could not have had right to use that name. And the reason that you're prohibited is because if you can set up a corporate identity with the AWU's name in it you can take cheques that were meant to go to the AWU and put them in that entity. And you get the money. That's exactly what happened. Now (inaudible)

Bob Kernohan: Can I say, can I say.

Michael Smith: Yep.

Bob Kernohan: Look, Ludwig knew exactly what Gillard was involved in. Ludwig was supporting Ian Cambridge in his efforts to uncover this whole sorry bloody scandal.

Michael Smith: So why did they stop?

Bob Kernohan: Well, I still ask myself the question Michael. Why did Bill Ludwig support someone like Gillard? Just on a political analysis itself they are chalk and cheese. Black and white.

Michael Smith: There's another figure here though Bob, and you introduced him to the AWU, and he worked for you, and his name's Bill Shorten.

Bob Kernohan: Out of all my disappointments, out of all of my disappointments, so there's been many in recent years to do with this matter, Bill Shorten is on the top of the tree of my disappointments. And I say that, I say that because when I came back to Victoria from South Australia to contest elections against Bruce Wilson, Bill Shorten, I recruited Bill. He was my campaign manager. Bill formulated any press releases I wanted to put out attacking Wilson, and exposing various corrupt activities that Wilson was involved in, and I called for an open audit of the Victorian branch books. Bill was part of all of that. You know, Michael, how much I know about this matter.

Michael Smith: Yep.

Bob Kernohan: Bill Shorten knew just as much as me, if not more.

Michael Smith: OK. Let's go to a moment in time, Bob. See it in your brain, where you, arcing up, saying "No, I want police involved. I want this thing ventilated, investigated, made public. What did Bill Shorten say to you? What are the exact words?

Bob Kernohan: Bill Shorten said to me, when I asked Bill to support me, he looked at me and said "Look, mate, think of your future. You could be entering parliament shortly through the seat of Melton (Victoria. A safe Labor seat). Everybody else has swept this under the carpet... Move on." Bill Shorten and I have probably spoken half a dozen words since that day.

Michael Smith: When Bruce Wilson left the union, he left with a lot of money. The union paid him money. Is that true?

Bob Kernohan: Correct.

Michael Smith: In fact, cheques were flown down, from Sydney, for the purpose of making sure Mr Wilson got his money to leave the union. Who flew those cheques down? Who came down?

Bob Kernohan: Chris Hayes.

Michael Smith: And he's a current member of the parliament?

Bob Kernohan: Yes, yes, he used to be...

Michael Smith: Okay. So Bruce Wilson, with these allegations against him, handed the cash to leave. When you left the union, how long did it take you to receive your entitlements like pay, your back pay, you know, pay for leave and stuff like that?

Bob Kernohan: Nine years, but I settled with Shorten at that stage. Shorten was going into parliament. He was seeking pre-selection.

Michael Smith: Nine years.

Bob Kernohan: And the only reason why Bill settled with me is, in my view, was because he was frightened of any adverse publicity that may be attracted or directed towards him for his treating one of his fellow union colleagues with that sort of contempt.

Michael Smith: Bill Shorten was the National Secretary of the AWU and in that job he's responsible for running the show. There were orders made that the bogus redundancy payments made to Mr Wilson and others be paid back to the union.

Bob Kernohan: That's correct.

Michael Smith: Did that ever happen?

Bob Kernohan: No.

Michael Smith: Why?

Bob Kernohan: Well, the court order that was granted to Ludwig, as, in his capacity as National President of the union, was shelved, pigeon-holed, wasn't pursued.

Michael Smith: Bob, for many years in fact.

Bob Kernohan: There was over \$100,000 in those redundancy payments.

Michael Smith: For many years in fact, nothing was pursued. Now I want you to turn your mind now, to what's going on in Victoria, and without disclosing any operational things that police have underway, just give us your assessment of what's happening at present.

Bob Kernohan: Well, I'm very positive about the work that the Victorian Fraud squad are doing. Detective Senior Sergeant Ross Mitchell, I've spent some time with Ross and his detectives, and I'm confident that for the first time, the first time, out of four investigations that I have seen, this is the fourth, that I've seen come and go, that this matter is now finally being investigated. And you know, I, as I said Ross Mitchell, I've got, they are just fantastic people, they are dedicated, they are committed. They will get to the bottom of it, and another significant development in Victoria was the appointment of...

Michael Smith: Sorry mate, yep.

Bob Kernohan: Something's happening.

Michael Smith: It's the producer talking to me, you're probably getting that in your ears. ...You've lost your train of thought.

Bob Kernohan: Yes.

Michael Smith: Just come back to it.

Bob Kernohan: Chief Commissioner Ken Lay.

Michael Smith: Ken Lay, yep... You have absolute confidence in the direction that's headed?

Bob Kernohan: Absolutely.

Michael Smith: Any political driver in it?

Bob Kernohan: Not now, but there was.

Michael Smith: What was that?

Bob Kernohan: Well, in 2001, the police reopened this investigation into Wilson and the corruption, the fraud, the false accounts... and they did that as a result of a complaint that I made this time, following an assault that... I experienced.

Michael Smith: This is painful mate, for you to talk about.

Bob Kernohan: It is.

Michael Smith: You're talking about, a car pulls up alongside you, certain words are said...

Bob Kernohan: Yeah.

Michael Smith: ...and blokes jump out of the car with boots on, and they're into you, kicking you, and you copped a quilting...

Bob Kernohan: Yep.

Michael Smith: ...and went to the police.

Bob Kernohan: I did, as a result of that, as I said, they reopened the investigation. And thirteen months later, they wrote to me, just with a pro forma response, saying that no, you have a, sorry,

this matter is now closed. I look back now and I see Christine Nixon, and she was appointed as Vic-, the Chief Commissioner of Victoria police...

Michael Smith: Yep.

Bob Kernohan: ...about three weeks before my complaint was made and the investigation was reopened. I've always held the view that police command at that time did not allocate proper resources to fund a proper investigation.

Michael Smith: Well mate, I'm going to give you an example of the way out of this, you know, in radio shows. We're going to talk about it now. Victoria Police went to the AWU and said "We've got these allegations of large amounts of money having gone west and being misappropriated. Someone in the AWU sent back to the police "No, that's being used for re-election purposes. That's all kosher, all legit". And the police go "Ok, well we've got a statement to that effect. That's the end of the matter." What this has needed to blow it open is more facts, more analysis, more people who have that sort of common sense savvy that you've got and it needed a police force and investigators who'd listen and take statements and take legal opinion. And have the matter prepared to put before a court because when it went before the magistrate's court, what did the Chief Magistrate find? What was his finding? Those documents created at Slater and Gordon were created for what?

Bob Kernohan: For the furtherance of a fraud.

Michael Smith: Precisely. How many lawyers were in the Industrial Unit at Slater and Gordon?

Bob Kernohan: Two, to my knowledge.

Michael Smith: And what were their names?

Bob Kernohan: Bernard Murphy and Julia Eileen Gillard.

Michael Smith: And where's Mr Murphy now?

Bob Kernohan: Federal court judge.

Michael Smith: Appointed by whom?

Bob Kernohan: Julia Eileen Gillard.... Scandalous.

Michael Smith: Julia Eileen Gillard went to the AWU conference and the National Secretary of the AWU, who's never acted on orders for the repayment of money etc said "Prime Minister, we've got your back". If you believe that this nation's interests are served, if you believe it's healthy for this sort of large scale fraud, lots of money, houses purchased, all sorts of dodgy documents, and now findings of fact by a court of competent jurisdiction. If you believe it's healthy to have this in our background, insufficiently investigated, give me a ring 131 873. I don't, I think it matters. I think it matters to the integrity of the country. And mate, it's happening now, because of you. There will be a royal commission this year Bob. There will be a royal commission.

Bob Kernohan: And because of you Michael Smith.

Michael Smith: And they should call it the Kernohan commission... 131 873 is the telephone number. His name is Bob Kernohan. He's a former president of the AWU. He never lost the faith. Give him a ring.... Bob.

Bob Kernohan: Yes Michael?

Michael Smith: You've done it. You've done it mate.

Bob Kernohan: What have I done?

Michael Smith: What you set out to achieve, to tell the story. You're a legend.

(44.57)