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Indigenous staff-hire firm with links to Gatto a winner in Andrews roads boom

Exclusive

David Marin-Guzman

An Indigenous labour hire firm linked to underworld figure Mick Gatto has emerged as a big winner from a \$222 million Victorian government road upgrade project.

Major Roads Projects Victoria featured Jarrah Resource Management – whose shareholders include Mr Gatto's daughter – in a promotional video on social media last week but immediately removed the post after *The Australian Financial Review* raised questions about the firm's ownership.

The government's endorsement of the new firm came as long-established Indigenous labour hire firms have complained the Construction, Forestry, Maritime, Mining and Energy Union has been forcing them off major Victorian infrastructure projects for the past year in alleged incidents of unlawful coercion.

The demand for Indigenous workers has surged amid the Andrews government's \$85 billion infrastructure program because procurement rules dictate that projects engage a min-

imum proportion of Indigenous workers and spend a certain amount on Indigenous businesses.

However, established firms, which often have agreements with the Australian Workers Union, allege their businesses have lost tens of millions of dollars of work because they do not have CFMEU enterprise agreements and the union blacklisted them from mega projects.

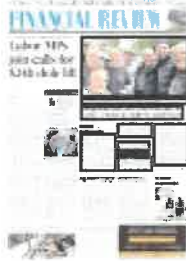
Jarrah, set up only in late 2021, is part of a joint venture with labour hire outfit M Group Trades and Labour, which boasts an agreement with the CFMEU.

Mr Gatto's daughter, Sarah Awad, is a shareholder in both companies

Continued p11

**All their union issues
I sort them out – they
pay me to do that.**

Mick Gatto



From page 1 Gatto-linked firm wins in Vic boom

through her investment vehicle Taggo, which has a 16 per cent share in Jarrah and 25 per cent share in M Group.

She is married to Danny Awad, who last year won the right to a fresh trial after he was jailed over his alleged role in a \$12.4 million cocaine importation.

Mr Gatto's firm Arbitration and Mediation Services was an original shareholder in M Group Trades and Labour when it was established in November 2016 but sold the shares a month later to his daughter's company.

He told the *Financial Review* that M Group and Jarrah were "not Mick Gatto companies".

"My daughter's got an interest in M Group and I do all their industrial relations issues. All their union issues I sort them out - they pay me to do that," he said. "I look after a few companies on that level. I've been doing it for 20 years. It's been through the courts, it's been publicised - what's the big deal?"

He denied Arbitration and Mediation Services used to have ownership in M Group and said "Jarrah's nothing to do with me". Jarrah's Indigenous director Stan Dryden was a "friend of mine and he's a good bloke", he said.

Major Roads Projects Victoria (MRPV) is understood to not have been aware of the connection to Mr Gatto before promoting Jarrah on social media. It deleted the post and video after the *Financial Review* raised questions with the agency.

An MRPV spokesman said: "The selection of subcontractors and management of industrial relations is the responsibility of our construction partners. All contractors and subcontractors on Victorian government projects are required to meet all legislative and contractual requirements.

"We actively encourage all parties in the construction industry to work cooperatively together."

The spokesman said MRPV was "providing meaningful business and employment opportunities for Aboriginal Victorians and businesses".

Jarrah is doing traffic management work on the Mickleham Road Upgrade project run by BMD in Melbourne's Greenvale. BMD did not respond to

requests for comment before publication. However, in the video promoted by MRPV on LinkedIn, BMD project manager Daniel Frazer said "BMD support Jarrah as a new business and coming into the civil industry by giving them our support and knowledge and the two-year project is a great way to have different opportunities and grow the business and skill set".

MRPV said in the post that Jarrah was "working with us and BMD Group" and Jarrah director, Aboriginal Elder Stan Dryden, had created the business to "provide Indigenous Australians with the same opportunities and direction he received when he was young".

It has become common for Indigenous labour hire firms to operate in joint ventures with traditional labour hire firms to win contracts.

While M Group and Jarrah share directors, Jarrah's share structure is in line with Victorian requirements for Indigenous businesses to be at least 50 per cent Indigenous-owned.

Its website says it is also certified by Kinaway, the state Indigenous business chamber. M Group was contacted for comment on Friday but did not respond before publication.

Sources said Mr Gatto had been key to securing M Group's CFMEU agreements. Mr Gatto has been a friend of CFMEU Victorian secretary John Setka since the mid-1990s when, according to his autobiography *I, Mick Gatto*, Mr Setka asked him to assist in an industrial dispute where an employer had brought in an ex-detective to intimidate picketing workers.

After the issue was resolved, Mr Setka introduced Mr Gatto to other Victorian construction union officials and he starting working for builders to fix their union problems. "Each time I sign on a new builder or developer I ring the union and tell them 'he's with me' and that if there are any problems they should call me," he wrote at the time.

The CFMEU Victoria and Mr Setka were not available for comment.

The *Financial Review* contacted other Indigenous labour hire firms about CFMEU control of the industry but none wanted to speak publicly due to fear of damaging their business.

M Group was set up in 2015 when directors Michael Portia and Tony Paragalli bought MI Traffic Control.

According to ASIC filings, Mr Portia then set up related entity M Group Con-

struction Services, with a CFMEU agreement, to supply traffic management labour to MI Traffic Control.

By June 2017, M Group Construction Services went into liquidation owing the Australian Tax Office \$726,000.

Just a few weeks before M Group Construction Services went into liquidation, Mr Portia exited the company and the ATO served the replacement director with a director penalty notice.

The company's name was changed to just its ABN and the employees were terminated and re-employed by a new entity, M Group Trades and Labour. That entity had been set up six months before liquidation with another CFMEU agreement but trading under the same name, M Group Construction Services.

Mr Portia and Mr Paragalli are also directors of Jarrah.



Sarah Awad. PHOTO: JUSTIN McMANUS



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What's the deal

Business relationships pertaining to Mickleham project



SOURCE: ASIC, VICTORIAN GOVERNMENT



CFMEU national secretary Christy Cain (third from left), former AMWU Victorian leader Craig Johnston (centre) and Mick Gatto (third from right) at a Painters and Dockers Union memorial event this month. PHOTO: FACEBOOK



EY boss | No job cuts after failed split, but no bonuses

Accounting
Edmund Tadros p35

FINANCIAL REVIEW

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► Pressure grows for budget move on JobSeeker

Labor MPs join calls for \$24b dole lift

Exclusive

Phillip Coore
Political editor

Four federal Labor MPs have broken ranks to join calls for the government to increase the JobSeeker payment by \$24 billion at next month's federal budget.

The move came as the government hinted it may increase the \$50-a-day payment by a little in the May 9 budget, but not to the levels demanded by the welfare sector.

The Labor MPs – Alicia Payne, Louise Miller-Frost, Michelle Anand-Rajah and Kate Thwaites – have added their names to a letter composed by the welfare lobby and independent senator David Pocock that has so far garnered more than 330 signatures and which will be sent to Prime Minister Anthony Albanese.

It comes a week after Treasurer Jim Chalmers rejected the key recommendation from the government's hand-picked Economic Inclusion Advisory Group that JobSeeker be increased to 90 per cent of the age pension, up from about 70 per cent.

A single person on JobSeeker receives up to \$347 a week, or \$49.50 a day, while a single pensioner gets about \$500 a week.

The cost of an increase of about \$18 a day would be \$24 billion over the four-year forward estimates period, making it by far the single most significant recommendation of the committee which, in total, made 37 recommendations worth \$34 billion.

Upon the release of the advisory group report, Dr Chalmers suggested that the government would adopt some recommendations of the report, but not the JobKeeper recommendation due to its cost and the impact it would have on inflation.

He said the best help for the low paid was assistance with cost of living, such as the power bill discounts that will feature in the budget.

But on Monday, Assistant Minister for Treasury Andrew Leigh suggested a lesser increase might be granted. "We haven't said we won't raise it. We've

Challenge ahead



Today's inflation data could decide if the RBA keeps rates on hold but investors should also watch the trajectory of government spending.

Chanticleer back page

Anthony Albanese will help fund a controversial new stadium in Hobart and enable Tasmania to field a team in the AFL. Phillip Coorey p4



AFL chief Gillon McLachlan and Defence Minister Richard Marles at the Anzac game yesterday. PHOTO: GETTY

simply said we will take careful consideration of the Economic Inclusion Advisory Committee's report," he said.

The letter to Mr Albanese is signed by Labor, Greens and independent MPs, former Labor MPs including Doug Cameron and Brian Howe, ACTU leaders Sally McManus and Michele O'Neil, as well as community leaders, charities and progressive economists.

Liberal MP Bridget Archer has also broken ranks to sign the letter. The Opposition, which lifted JobSeeker by \$50 a fortnight two years ago, opposes a further increase for the same reasons as the government.

The letter's timing coincides with a resumption of meetings this week of

Continued p4
 News 570b in tax breaks questioned p4
 Prescription needs to get easier p5
 AFR View A call for urgent change p38



CMFEU national secretary Christy Cain (third from left), former AMWU Victorian leader Craig Johnston (centre) and Mick Gatto (third from right) at a Painters and Dockers Union memorial event this month. PHOTO: FACEBOOK

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Continued p11
 News Painters & Dockers reunion p11

\$4b missiles spending plan comes under fire

The federal government will pour more than \$4 billion into urgently building up stockpiles of missiles, artillery shells and sea mines, and plans to make some locally.

US Defence Secretary Lloyd Austin praised the government's Defence Strategic Review as aligning with the US.

But, Strategic Analysis Australia director Peter Jeritungs said: "The most disappointing feature of it is how it chucks down the track for four years any prospect of a defence spending increase. The funding story is disastrous."
 Full coverage p6-9, Feature p36

Dexus asked to cop steep tower discount

Quintessential Equity has emerged as the leading bidder for the Dexus-owned 1 Margaret Street tower in the Sydney CBD, in an auction investors and bankers say is a bellwether deal for unlisted office valuations.

Sources told Street Talk the bid reflected a steep 15 to 20 per cent-plus discount to the 18-storey building's book value of about \$380 million.
 Even if the bidder completes due diligence to its satisfaction, it remains unclear whether Dexus would want to stomach such a deep discount and proceed with the sale. Street Talk p16

C-suite university

Which uni produces the most CEOs?

News p3



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'Lawyers backing Yes for money', may it please the court

EXCLUSIVE

JANE ARBUTHNOT
FRED DEWITT

Barriers publicly opposing a Yes vote for the Indigenous Voice are commercially motivated and will gain financially from doing so, according to eminent lawyer Stuart Wood AM KC, who, among other Victorian barristers, is opposing a move for the state Bar

association to support the referendum. The Victorian Bar Association is being savaged by internal discord over the voice, with some members expressing a "zealous opposition" of bringing the issue to a head at a meeting on Thursday. Some barristers are demanding the institution publicly back the referendum proposal while others want it to remain inconspicuous so it doesn't compromise its independence.

The infighting comes as the Victorian Bar Council gears up for the meeting on Thursday to debate the issue, after it received a petition signed by about 200 barristers urging the Council to follow the lead of the NSW Bar Council and publicly back a Yes vote at the referendum.

But Mr Wood told The Australian he believed lawyers throwing their support behind a Yes endorsement were doing so for financial purposes to stay in favour with government and corporate clients. "You've got people who their whole livelihood is taking government briefs now because government is so big and while the legal spend being so big," Mr Wood, who represented former rugby player Israel Falun in his landmark workplace discrimination case, said. "The other thing too... is that it doesn't hurt them to be seen to be

too. If you come out and parade as someone who's in with the (voice) package, then you're not only advertising to the Victorian and federal governments that you're the right person to brief, you're advertising to most of the commission."

Mr Wood said the government controlled about 40-50 per cent of the legal spend for barristers, which incentivises them to "be with the package". "It's just a no-brainer for them. This is just a commercial play. It's smart. They wouldn't do it if there wasn't a dollar in it," he said.

A letter leaked from the Victorian Bar Council papers for Thursday's meeting, barrister Paul Hayes KC wrote to Victorian Bar president Sam Hay claiming the pro-voice position "was not representative of the association's large membership, and urging him to refrain from taking a public stance on a political debate."

Mr Hayes told The Australian it was disappointing the Bar Council had become politicised, saying he believed the association should be confined to public comment, which is limited to issues directly affecting the interests of our members to conduct their practices at the Bar, rule of law issues and the administration of justice in the state of Victoria and Australia.

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ANOTHER REVIEW FOR WEAPONS NEEDED 'URGENTLY'

Guided missile deliveries in slow motion

EXCLUSIVE

IAN SPENCER
BUREAU AFFAIRS AND DEFENCE CORRESPONDENT

Urgent long-range missile orders and the establishment of a domestic guided weapons industry will be delayed by at least 12 months for yet another Defence review, said the most challenging strategic circumstances in generations.

The Albanese government gave the green light to a raft of reviews on Monday in its response to the long-awaited Defence Blueprint, including a new weapons paper on bolstering the nation's missile strike that will not report until mid-2024.

Defence Minister Richard Marles will reveal on Wednesday the government will spend \$4.1bn from the ADP's current budget to acquire more long-range strike systems and manufacture guided weapons in Australia.

The funding includes \$2.5bn for the guided weapons and explosive ordnance enterprise, revealed earlier by The Australian, as well as \$1.6bn to accelerate delivery of new HIMARS launchers and Precision Strike Missiles.

On page 106 of the declassified version of the defence strategy review, the government plan in addition a new assessment process that will set up to build some of the government's top priority missile programs.

"Options for the increase of guided weapons and explosive ordnance stocks, including the rapid establishment of domestic manufacturing, should be provided to the government by Q2 2024," the review said, followed by the government's response - "Agree".

Neither Defence nor Mr Marles's office was able to say on Tuesday whether the options would be developed by the

department, the government's preferred manufacturers or independent reviewers. "The move comes despite government vows to accelerate acquisition and engage in "smarter" contracting to get new weapons into service faster."

Further reviews in the Stephen Smith and Angus Houston-led document include a six-month process to decide the future of the navy's surface fleet, an options paper on adhering to recruitment targets due in 2024, and a "comprehensive strategic review" of the ADP's reserves to be completed by 2022.

Are Anthony Albanese and his cabinet warring with the coalition to repoint Australia to respond to the challenge from China and threats to the regional order?

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From turning up to class in handcuffs to stealing a minibus: the life of kids in Alice Springs



Victims School principal Gavin Morris, left, and images of students who allegedly stole a school bus and took it on a joy ride.

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Unions' \$350m windfall from funds for workers

EXCLUSIVE

CHRIS HAYWARD
CHIEF NATIONALS

Unions have pocketed more than \$350m over a decade from worker training, redundancy and other employment-related funds, which employees fear could be expanded under the Albanese

government's next wave of industrial relations reform. New analysis of Australian Electoral Commission data reveals union-linked entitlement funds set up to help workers on behalf of workers for their benefit, have paid an average of \$32m per year to unions between 2012-22.

The CWU (\$180m), AMWU (\$54m), CEPU (\$48m), ITU (\$28m) and AEU (\$16m) have reported significant increases in annual payments over the decade compared with the \$23m-a-year average recorded over five years to 2016. It is unclear exactly what the payments are for. Some employers also receive money from the funds.

The majority of payments came from redundancy funds (46 per cent), training funds (29 per cent) and income protection or insurance funds (19 per cent), which industry sources and the Coalition say are effectively unregulated, are now worth more than \$2bn.

Feds lock in a shift to 60-day scripts

EXCLUSIVE

ANASTASIA HODGSON
FINANCIAL EDITOR

The federal government is to push through changes allowing patients to be prescribed 60-day supplies of many medicines in a shake-up of the Pharmaceutical Benefits Scheme that will save many consumers hundreds of dollars a year.

The change is set to affect at least six million Australians, who will also save hundreds of dollars in go-to fees every year for doctor visits as they will not need to return to the doctor's office.

The PBSC called for the change to apply to 143 commonly prescribed medicines in 2019. Under the changes, even patients on only one medication will save \$92.4 a year.

The Weekend Australian revealed pharmacists had warned of medicine shortages if the move went ahead. But the government estimates the change will save taxpayers \$160m over the next four years.

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Vic warned on 'illegal CFMEU activity'

Exclusive | Victorian deputy premier Jacinta Allan was warned about "illegal" CFMEU coercion of Indigenous firms on the state's infrastructure projects last year, sparking alerts across political offices. Emails released under Freedom of Information laws show a state infrastructure executive briefed Ms Allan about an unnamed

Indigenous labour hire firm that the CFMEU allegedly kicked off nine government projects, including the state's signature project the \$200 billion Suburban Rail Loop.

The government's failure to address the alleged coercion of

Indigenous firms contrasts with Major Roads Projects Victoria promoting a new Mick Gatto-linked Indigenous firm on the \$222 million Mickleham Road upgrade last week. ▶ **News p3**



Jacinta Allan

State warned of 'illegal union activity'

Exclusive

David Marin-Guzman

Workplace correspondent

Victorian Deputy Premier Jacinta Allan was warned about "illegal" CFMEU coercion of Indigenous firms on the state's infrastructure projects last year, sparking alerts across political offices.

Emails released under freedom of information laws show a state infrastructure executive briefed Ms Allan about an unnamed Indigenous labour hire firm that the CFMEU allegedly kicked off nine government projects, including the state's signature project,

the \$200 billion Suburban Rail Loop.

However, Victorian Indigenous busi-

ness chamber Kinaway, which raised the issue, said the government did nothing about the matter with builders or the union and instead referred the firm to the soon-to-be scrapped industry watchdog.

The government's failure to address the alleged coercion of Indigenous firms contrasts with Major Roads Projects Victoria promoting a new Mick Gatto-linked Indigenous firm on the \$222 million Mickleham Road upgrade last week.

The Australian Financial Review contacted several Indigenous labour hire

firms understood to have been forced off projects for not having a CFMEU agreement but all declined to comment out of fear of repercussions.

One firm owner, speaking anonymously, said the actions had had a "severe impact" on cash flow, the livelihood of their business and its workers.

"The flow-on effect of this is it disadvantages the marginalised people who are employees of the Indigenous companies," he said.

"These are ex-offenders who come out of jail, are doing really well and have been in a job for 18 months, working with 10 other Indigenous people, and all of a sudden they get pushed off