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HEARING

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INDEPENDENT COMMISSION AGAINST CORRUPTION

THE HONOURABLE DAVID IPP AO QC

PUBLIC HEARING

OPERATION NAPIER

Reference: Operation E11/0475

TRANSCRIPT OF PROCEEDINGS

AT SYDNEY

ON MONDAY 4 JULY 2011

AT 10.05AM

Any person who publishes any part of this transcript in any way and to any person contrary to a Commission direction against publication commits an offence against section 112(2) of the Independent Commission Against Corruption Act 1988.

This transcript has been prepared in accordance with conventions used in the Supreme Court.

MR BRANSON: My apologies, Commissioner (not transcribable) daylight saving in my camp but I'm here and my, my profuse apologies.

THE COMMISSIONER: Yes, Mr Alexis.

MR ALEXIS: Thank you, Commissioner. I call Mr Mark Matchett.

THE COMMISSIONER: Yes, McGlinchey.

10 MS McGLINCHEY: Commissioner, Mr Matchett will be sworn to give evidence and he will seek a declaration under section 38.

THE COMMISSIONER: Yes. Please sit down, Mr Matchett. Pursuant to section 38 of the Independent Commission Against Corruption Act, I declare that all answers given by Mr Matchett and all documents produced by him during the course of his evidence at this public inquiry are to be regarded as having been given or produced on objection and accordingly there is no need for him to make objection in respect of any particular answer given or document produced.

20

**PURSUANT TO SECTION 38 OF THE INDEPENDENT COMMISSION AGAINST CORRUPTION ACT, I DECLARE THAT ALL ANSWERS GIVEN BY MR MATCHETT AND ALL DOCUMENTS PRODUCED BY HIM DURING THE COURSE OF HIS EVIDENCE AT THIS PUBLIC INQUIRY ARE TO BE REGARDED AS HAVING BEEN GIVEN OR PRODUCED ON OBJECTION AND ACCORDINGLY THERE IS NO NEED FOR HIM TO MAKE OBJECTION IN RESPECT OF ANY PARTICULAR**  
30 **ANSWER GIVEN OR DOCUMENT PRODUCED.**

THE COMMISSIONER: Will you swear Mr Matchett in please.

THE COMMISSIONER: Mr Alexis.

MR ALEXIS: Thank you, Commissioner.

Sir, could you state your full name?---Mark Trevor Matchett.

- 10 And should we understand that you hold the position of Chief of Staff to the Chief Executive Officer of the LPMA as it was called I think before April this year?---That's correct.

For how long have you held that position?---A couple of years and prior to that the manager of the Director General's Unit for about eight to 10 years.

And has Mr Watkins been in the position of Chief of Staff during those years?---Chief Executive.

- 20 Chief Executive I'm sorry?---He was Chief Executive of the Land and Property Management Authority when it was formed in 2009. Prior to that he was Director General of the Department of Lands.

So you and he have had a long-standing working relationship?---Yes.

- 30 Now, could you outline for us please your role as Chief of Staff identifying if you would your areas of responsibility?---Generally to keep abreast of various issues across the various components of the Land and Property Management Authority. It comprises a, quite a number of different agencies, or did comprise I'm sorry, including the Land and Property Information Division, Crown Lands Division, Soil Conservation Service, Hunter Development Corporation, Lake Illawarra Authority, Central Coast Regional Development Corporation, Cooks Cove Development Corporation and I've probably missed a couple but needless to say there was quite a diverse range of agencies within the, the LPMA. So I was, I was to keep across various issues with each of those agencies and to liaise with the Minister's office on various issues and ensure that the ministerial liaison process continued on a day to day basis.

- 40 And when you tell us that you were to be across the various agencies that you've identified should we understand that to include the activities of the Crown Lands entity as well?---That's correct.

And should we also understand, Mr Matchett, that you needed to be across the activities of the Sydney Regional Development Fund as well?---That's correct.

And when you say you needed to be across those activities that's for the purpose I gather of informing your chief executive?---Yes. Yes, to, yes, that's right.

Now, did you also have a ministerial liaison role?---Yes, I did.

10 And could you explain that role to us, please?---There's a Ministerial Liaison Unit within the office of the Chief Executive which processes correspondence that is received at the Minister's office that requires department responses and that went through that Ministerial Liaison Unit and would be distributed to the various administrative areas required to prepare responses and those responses would go back through the Ministerial Unit to the Minister's office.

And did that involve regular communication between you and Mr Fenn as Minister Kelly's Chief of Staff?---More regular with the Minister's policy adviser, Lands Policy Advisor.

20 And was that Mr O'Brien?---That's correct.

Now, Mr Matchett, can you tell us when you first became involved in the proposal for the government to purchase the Currawong site on the Pittwater?---Yes. It was back in 2005, '06, when the expression of, when there was a call for expressions of interest in the, into the purchase of the Currawong site. I think it was 2005.

30 And what was your role in relation to the submission of that expression of interest?---Just to be aware of it. It was, it was prepared by one of my colleagues, the, the expression of interest document for the Chief Executive or the Director General at the time to, to endorse and sign.

And after it was endorsed and signed did you understand that it was submitted?---That's correct.

To the then vendor?---Oh, it was to an agency acting on the vendor's behalf.

40 And are you able to tell us as you understand it what happened with respect to that expression of interest after it had been submitted?---It was submitted in, in, some time in August. I understand the, the expressions of interest were assessed and shortlisted. We were advised I think in, towards the end of September that the Department of Lands was one of the shortlisted expressions of interest and after that we were advised in October by Treasury officials that the Treasurer at the time was not happy with the, the Department of Lands expressing an interest in the, in the property and asked us to withdraw the, the expression of interest.

And when you say we I gather it was Mr Watkins that informed you of the Treasurer's attitude at the time and the subsequent withdrawal of that expression of interest or did you come to learn by that from someone else? Oh, look, I, I'm not 100 per cent sure but I think it probably was Mr Watkins.

10 Now, after those events when did you next become involved in the proposal to purchase the Currawong site?---I think the next involvement I had was I sat in on a meeting with the Chief Executive and Pittwater Council which would have been probably in October 2010.

And was that a meeting at which Mr Ferguson and perhaps another gentleman from Pittwater Council were there together with Mr Watkins, yourself, a Mr Foster from the LPMA, is that so, he was there as well?---Mr Foster I think joined the meeting later.

And Ms Connolly, Bronwyn Connolly was there?---No.

20 Now, did you take any notes at all of what was discussed during that meeting?---No.

And if I can ask you to look at Exhibit 1, a folder of documents in this inquiry, and if you could open that please to tab 1, the email commencing at page 2 over on page 3. Do you recall seeing that email reporting on that meeting at or about the time we're speaking of in early October 2010? ---This is the email from Greg Foster- - -

Yes---?- - -on page 2?

30 Correct?---I don't know that I saw that email at the time.

If you turn over to page 3A, which has been inserted into Exhibit 1- - -? ---Yes.

- - -do you see that Mr Watkins sent Mr Fenn an email on 6 October which was copied to you and others? Do you see that?---Yes.

40 And should we understand that you received that email which reported on the meeting that you had previously attended?---That would appear to be the case.

And just looking at Mr Watkins' email, and just take a moment to read it if you would, would you accept that it outlines as you best recall it what was discussed at the meeting and agreed with Pittwater Council representatives? ---Yes, I would.

And in particular do you recall a discussion at the meeting about the parcels of land that the council owned referred to in the second-last line of that

email as the house blocks that will be given to the Crown to sell as their financial contribution. Do you recall that?---Yes, I do.

And do you recall that there was discussion at that meeting in relation to the likely value of those house blocks in the range of four to \$6 million?

---I don't have a clear recollection of, of the values being mentioned at the meeting. They may well have but I don't have a clear recollection of that.

10 Now, can I just ask you to come back to page 2, and appreciating what you've told us that you may not have seen this particular email from Mr Foster, but could I ask you nonetheless to look at first of all the second paragraph which refers to the MOU, Statement of Intent- -?---Yes.

- - -with the question marks. Do you see that?---Yes, I do.

And can you tell us what you recall at the meeting that was discussed about the preparation of a MOU or a Statement of Intent?---No, I don't have a clear recollection of, of discussion that took place on an MOU.

20 All right. If you could just come down, about halfway through this email you'll see the paragraph commencing with the word, "Funding." Do you have that?---Yes.

And if you look at the two bullet points you'll see it refers to the LPMA to purchase Currawong, "Council to provide 50 per cent contribution", and then in brackets there's a reference to 'dollars or land'?'---Yes.

30 Now, can you recall to mind what the discussion was at the meeting that you attended in relation to what Council's contribution would be to any acquisition of Currawong?---There was a general discussion about the parcels of land that could be included in a state park that Council might be able to contribute. There were mentions of, of the two residential parcels or house parcels. There was mention of other reserved land elsewhere in the Pittwater area. There was also mention at that stage of other parcels of land that were under utilised in the Pittwater Local Government Area that Council thought might be worth exploring in terms of whether they're of any value to the Crown and therefore might go toward their contribution to the purchase of Currawong.

40 Now, in relation to the Newport land and you'll see that the Newport land is specifically referred to a little lower down on page 2.---Yes.

Was there any discussion about the zoning of that land and what, if anything, needed to be done in order to realise the \$4 to \$6 million referred to in Mr Watkins' email at page 3A?---I can't clearly recall a discussion on the zoning of the land.

Do you recall understanding at the time of this meeting what the zoning of the Newport land was?---Again, I don't, I don't know that the zoning was mentioned, it was mentioned that it was a reserve so I assume the assumption made was that it was zoned accordingly.

And so if it was to be land that is realised and sold as house blocks, then there would have to be some change in the zoning from whatever the zoning was that led to your understanding of it being a reserve to a residential zone.---If that's the case, yes.

10

Now, can I ask you to come through to the document behind tab 2 and you'll see over pages 4, 5 and 6 that we have here a briefing document ultimately signed by Minister Kelly in the terms that we see on page 6. Do you have that?---Yes, I do.

Now, did you prepare this briefing document – and when I say did you prepared, did you write it?---No, I don't believe I did.

20 Do you know who did?---I believe it would have been Greg Foster who's the contact officer.

And was he – as you recall it – tasked to prepare this briefing document by Mr Watkins after the meeting with Council, do you know?---I don't know but I assume that that's the case given that he has put it together. I know that he was involved in discussions with Council officers post that meeting to look at various parcels of land so I assume that this is a result of that work that he'd done.

30 All right. Now, we know, I think, Mr Matchett that the briefing document behind tab 2 was provided to Minister Kelly on either before or at a meeting that occurred with him to discuss the subject matter of the document. Now, were you at that meeting?---I believe so, yes.

Now, did you read the minute, do you recall, before the meeting that Mr Foster, as you understood it, had prepared?---I can't be certain of having read it before the meeting. I've certainly read it since but my recollection is not, I can't be a hundred per cent that I'd seen it before the meeting.

40 If you hadn't seen it before the meeting, you would have read it during the meeting wouldn't you?---Or very soon thereafter.

But you would have read and understood what it was all about so that you could make useful contribution to the discussion about the subject matter with the Minister wouldn't you?---Yes, to some extent but there were a number of occasions and it's not unusual for the briefing note to be walked to the Minister's office without it having going through the normal steps, the normal processes and that the chief executive would talk directly with the Minister on it.

THE COMMISSIONER: But this was a briefing note that was available to you before the meeting?---I, I don't recall seeing it before the meeting.

Well, I'm not sure, I mean, are you saying that in the position you're occupying, going to the meeting you did for the purpose for which you did it, there was a briefing note dealing with the particular matters that the meeting was going to discuss, that you didn't concern yourself to read it? ---It may not have been available to me to read prior to the meeting.

10

Why not?---Because it may have been handled directly between Mr Foster and Mr Watkins and Mr Watkins carried it with him to the meeting.

MR ALEXIS: In any event, Mr Matchett, I think you have a recollection of attending the meeting where Minister Kelly endorsed the terms of approval that we see on page 6?---Yes, I do.

20

And should we understand that from what you could see and hear in the course of the meeting, Minister Kelly read the briefing minute before he wrote what he did on page 6 and then signed it?---He, unless he, I'm not sure that he read it word-for-word. He was certainly walked through it I think by Mr Watkins.

And when he was walked through it, you were involved in that process of walking him through, were you?---I was, I was present.

THE COMMISSIONER: What do you mean by walking through?---Well, stepping him through the various information.

30

Well, how's that, how is that done?---Well, the Minister had a copy of the briefing note and Mr Watkins would have gone through paragraph by paragraph basically, pointing out- - -

Referred to the paragraph?---Sorry?

40

Referred to the paragraph, to each paragraph?---Oh, not necessarily to each one but to the, you know, the, the, the Minister was obviously aware of the background, he took him through the current situation and the various nuances of the, of the, the recommendations.

Well, I'm not sure how that involves stepping him through this document. I mean, I take it there was a, I understand that to mean at the very least that everybody had this document before them?---No, I don't think that's the case.

How do you take, step him through the document without having the document before him?---Oh, sorry, it was before him, yes, he had a copy of it.

Yes. And did you have a copy of it?---I don't know that I did.

So who else had a copy of it?---Probably the Minister's Chief of Staff.

Mr Fenn?---Mr Fenn.

And Mr Watkins?---And Mr Watkins.

10 But not you?---Look, I cannot be sure, I'm sorry.

And what, I still really don't know what stepping through means. Does that mean that Mr Watkins would say, look at paragraph number so-and-so and you'll see in this paragraph that this is what was said? Is that the sort of thing that you mean?---Yes, yes. I mean, he, he, he may not refer it to a numbered paragraph but certainly- - -

20 He would identify the more important paragraphs, show the Minister what was in the more important paragraph concerned and it would be discussed. Is that, is that what you're saying?---That's, that's along the lines, yes.

Well, what else could it mean?---Well, no, that's what it, that's what it means.

MR ALEXIS: Mr Matchett, have you got page 5 open?---Yes, I have.

30 And should we understand that one of the things that was discussed and discussed very clearly with the Minister was how the purchase was going to be funded?---That's correct.

And if you look in paragraph 3.5 you'll see in the second sentence from about line 4 that it's recorded there that Council has indicated that it would do this, that is to say, jointly fund, do you see that reference in the opening line?---Yes, I do.

Do this by way of a gift of excess council land adjoining the waterfront Crown Land at Newport valued at approximately five million to seven million. Do you see that?---Yes, I do.

40 Now, was the statement recorded in paragraph 3.5 spoken of with the Minister on this occasion?---I believe so.

And what did you understand the basis of the Newport land being said to be valued at approximately \$5 million to \$7 million?---Well, that represented Council's, Council's likely contribution to the, to the purchase of Currawong as a result of the sale of that land.

But if you just turn back to page 3A which was Mr Watkins' email which was copied to you and we've been to this already, you see the reference to the Council-owned house blocks having a value of 4 to 6 million, do you see that?---Yes.

So how should we understand the value as expressed in the briefing document to the Minister had changed from 4 to 6 million to 5 to 7 million?--That's probably something that Mr Foster would need to answer given he was the author of this.

10

But did you have an understanding at the time of this meeting with the Minister, Mr Matchett, that a valuation was available to underpin what was being explained to the Minister as to likely value?---No, I wasn't aware of a valuation.

Well, what, did you have any understanding about what the value that was represented to the Minister was based on?---No, I don't.

Well, you were at the meeting weren't you?---Yes, I was.

20

Well, how was the 4 to 6 or 5 to 7 million valuation arrived at in the course of the discussion, do you know?---Well, I assume that the valuation was arrived at as a result of some discussions that Mr Foster had had with Council staff.

THE COMMISSIONER: Are you saying that the meeting accepted what is said on this, in page 5 at face value?---Well, I can't answer for everyone that was at the meeting.

30

Well, if there was no discussion about it then everyone assumed that that value would be 5 to \$7 million because it was stated in the document - - -?--  
-Yes.

- - - then everybody accepted the valuation at face value and if that is what happened would you please confirm that. If that is not what happened would you please say what happened?---Well, no one denied that the 5 to 7 million was a, a reasonable figure.

No one denied it?---Yes.

40

Well, did anyone discuss it?---Well, it certainly came up in the meeting, yes.

Well, what was said?---Well, that, that, that the land that Council would be contributing could realise a value of 5 to 7 million.

And, but there was no discussion of the basis of that valuation?---No.

So you accepted the valuation at face value, that is the meeting did?

---Correct.

Without any knowledge as to whether there was a valuation relating to that?

---Yes, that's what you'd have to assume.

MR ALEXIS: And may I add, Mr Matchett, without knowing what was involved in any rezoning that had to occur in order to convert the reserve to housing blocks?---I'm not aware of, as I said, that coming up at the meeting.

10 THE COMMISSIONER: It wasn't discussed at the meeting?---Not to my knowledge, not to my recollection.

MR ALEXIS: So, Mr Matchett, this was a fairly important contribution wasn't it because if you jump down two lines within paragraph 3.5 on page 5 you'll see that there's reference there to a 50 per cent of the approximately \$12 million purchase price for the land in question, do you see that?---Yes, I do.

20 And so what this was conveying to the Minister was that Council would provide a significant contribution to the purchase of Currawong and in the order of 50 per cent?---That land combined with land adjoining the Currawong site, yes.

30 So, Mr Matchett, at the time you're speaking with the Minister on 8 October, 2010 what step or steps had been undertaken to your knowledge to reality test whether the \$5 to \$7 million reference there was likely to be realised or not?---I wasn't aware of anything that had been done in that regard. I had assumed that the work, looking at the value of the, the various parcels of land was something that was being done by Greg Foster and others as part of the MOU development.

Now, in the next paragraph, 3.6, you'll see that there's a reference to a proposal that funds for the purchase be made available from existing Reserve Trust funding and from the SRDF through the corporations sold. Do you see that?---Yes, I do.

40 Now, at the time of the meeting with the Minister on 8 October, 2010, are you aware of any step or steps being undertaken to determine whether or not funds could be available either from the Reserve Trust or the SRDF?---I'm sorry, I don't understand what you mean by steps being taken.

Well, the Minister is being told – wouldn't you agree in this briefing note – that there was going to be a sale of Council gifted land to provide funds but in the interim the proposed purchase was to be funded from two sources, one Reserve Trust funding and two, SRDF. Do you see that?---Yes.

Do you see you that?---Yes.

Well, was any step taken to investigate whether or not funding in fact could be procured from either the Reserve Trust funding or the SRDF by 8 October?---Well, both of those sources of funding are there for purchase of land of various categories on an as needs basis.

Perhaps my question wasn't clear. Had any step been taken to investigate the availability of funds from either of those two sources for the acquisition of Currawong?---I would have to say yes.

10 What steps were taken?---Well, there was, there was, there was funding available in both of those sources to be used on an as needs basis and - - -

Had any application been made to the SRDF for funding?---No.

Had any step been taken to communicate with those who controlled Reserve Trust funding to see whether or not funds would be made available for this purchase?---Informally - - -

20 The answer's no isn't it?---I don't think so, I think – this is an arrangement used on a fairly regular basis, I don't think there's a formal process that you need to go through to discover if there's funds available, the funds are there and can be used on an as needs basis.

All right. Now, you seen in paragraph 3.7 there's a reference there to the balance of financial contribution to the purchase being funded by the sale of Crown Land. Do you see that?---Yes, I do.

30 Now, I think in October 2010 you well understood that Crown Land was sold from time to time in accordance with the strategic plan that related to the sale of Crown Land?---There was a Crown Land disposal program, yes.

Yes. And you understood – didn't you – that Currawong was not on that disposal program in terms of funds being utilised for acquisitions?---I'm sorry, Currawong wasn't Crown Land at the time?

40 No, let me put the question again. Did you understand that Currawong was not on any strategic plan that related to Crown Land whether in relation to disposal funds being made available for acquisition or whether further lands should be sold for that purpose?---No, I wasn't aware of any formal arrangement for that to take place.

So what step or steps by 8 October 2010 had been undertaken for the purpose of determine whether or not funds realised from the sale of Crown Land could be made available for the purchase of Currawong?---You'd need to put that question to Mr Foster but I would assume that Mr Foster would have looked at the current Crown Land disposal program, looked at what the likely return for the current financial year was or expect to be - - -

THE COMMISSIONER: So the answers to Mr Alexis' question is that you don't know?---I don't know, no.

MR ALEXIS: Now, can I bring you through, Mr Matchett, to the material behind tab 4 of Exhibit 1. And would you agree with me that by early November 2010 you well understood that LPMA staff, Ms Connolly in particular, was setting about the task of preparing a submission for cabinet or a budget committee of cabinet in relation to Currawong?---Yes, that's right.

10

And we see for example, if you come over to page, to the material behind tab 5, that by about 17 November, if you look at the bottom of the page on page 11, Mr Watkins had received an email concerning the preparation of the Budget Minute to seek endorsement to negotiate?---Yes.

Do you see that at the bottom of the page?---Yes, I do.

And that's then I think been sent to you on about the 19<sup>th</sup> and you then continue the exercise of trying to hurry the process up with Ms Connolly?  
---Correct.

20

Is that how we should understand these emails on page 11?---Yes.

And do you see the email particularly you sent on 22 November at 9.35- - -?  
---Yes.

- - -where you apologise for pestering Ms Connolly and tell her that the Minister's office is very keen to put up a Cabinet Minute as soon as possible. Do you see that?---Yes, I do.

30

Can you explain to us what the urgency was as you saw it as at 22 November to, for the, for the Minister's Office to put up a Cabinet Minute as soon as possible?---My recollection of that was that the Minister's Office wanted to be in a position to have a submission before Cabinet as soon as possible after the land purchase by Eco Villages had been completed- - -?

Ah hmm---?- - -so that they could seek Cabinet endorsement to, to negotiate with Eco Villages.

40

Now, if you look at page 12 behind tab 5, does that also explain why you said to Ms Connolly in this further email of 25 November that the Cabinet Minute for Currawong was now critical?---Correct.

So what was the event that created this issue you were pressed with the urgency that you seem to be by this email?---I, I think the, the Government or the LPMA at that time was aware or somewhat aware of the likely time frame for the conclusion of the sale and this was, I think originally it was, well, as you know, there was a number of different delays in the settlement

of the sale going from October to November and through to January as we (not transcribable)

And how did the LPMA come by that information, as you understood it?--- Information was, that, that information was, was available from a number of different sources I think. Council certainly seemed to be aware of the, the program or the timetable for the purchase of the site and it was probably relayed through that process.

10 Now, coming up on your screen, Mr Matchett, is a further email which is annexure D, you'll see the D in the top right-hand corner, to a Statement of Evidence from Mr Harding?---Yes.

But could you just observe from the email that on 29 November you raised with him the absence of anything from Ms Connolly. You express concern about resources and then you say, "I need a draft minute by first thing tomorrow and I will complete it if needed." Do you see that?---Yes.

20 So again, was there something that was occurring on 30 November which required the minute by that time frame?---I think it was just a product of the time table for the Budget Committee meetings for the remainder of the year and we were rapidly running out of opportunities for the Minister to put it up for Cabinet consideration.

Well, if you turn to page 13 of Exhibit 1, you'll see that the following day you received from Ms Connolly, is what is there described as a draft submission. Do you see that?---Yes, yes I do.

30 Can you just explain to us what the driver of this was at the time – why was – as you saw it then – was why 30 November a drop dead date?---I was probably putting more pressure than I needed to onto get by that date, simply to get it into the process for, for the Minister's office to lodge it for consideration by Cabinet.

But appreciating that you may have deliberately overstated things to Ms Connolly because you wanted to get the document.---Ah hmm.

40 But what was the – what was the driver that you understood led to the necessity to put a Cabinet submission up in this time frame?---It would have to do with the large picture of the time line required to put it through the Budget Committee process to get the necessary approvals in place in, in time to allow for then negotiations with Eco villages to take place.

So are you saying, Mr Matchett, that as you then saw it on 30 November, the submission had to go up to Cabinet so that approval could be received to facilitate negotiations as soon as the contract between Unions NSW and Eco Villages had been completed?---That's somewhat correct. I, I believe that the Minister's office weren't prepared to put the Cabinet Minute up until

the, the sale had been concluded so that you could see that as the sale date was slipping that opportunity to put the Cabinet Minute up before the end of the year was also slipping and as we know, it went through to the next year anyway.

10 But if you look at page 14 which is the first page of the draft Cabinet submission, you'll see adjacent to the heading, main purpose, about a third of the way down the page, that the purpose of the submission was to seek approval to negotiate the purchase of Currawong. Do you see that?---Yes, I do.

So what was the difficulty of you understood in having this submission once it was finalised sent up for Cabinet approval to obtain approval for negotiations?---You're asking me to form an opinion on what the Minister's office attitude was to the lodging of the Cabinet Minute.

20 Mr Matchett, to some extent I suppose I am, but what I'm seeking to understand is why after 30 November 2010 the draft or the final form of this submission did not go up to Cabinet?---There was, I believe, still work required to complete the Cabinet Minute including further advice back from Pittwater Council on their on-going commitment.

THE COMMISSIONER: On-going commitment for what?---For the contribution towards the purchase, the lands, the identification of the lands that they were going to include, the MOU process I guess.

30 MR ALEXIS: But Mr Matchett, you said a moment ago to the Commissioner, that the Minister's office didn't want to put this up to Cabinet before the sale to Eco villages had been completed. Do you remember saying that?---I do.

So how did you come by that information?---It's my assumption.

Well, why would you assume that?---Because in the past they'd been very firmly of the opinion that they wouldn't, that the government shouldn't be seen to be dealing directly with Unions NSW and therefore whilst ever Unions NSW held the property, there shouldn't be that perception of a, of a negotiations with them.

40 So your assumption at the end of November having pressed Ms Connolly for the draft was that it went no further because the sale to Eco Villages had not been completed by that stage?---That was my assumption.

And was that assumption informed by anything that either Mr Fenn told you or Mr O'Brien told you or anyone else from the Minister's office told you?  
---No.

What did you do with the draft submission when you received it just before lunchtime on Tuesday, 30 November?---I don't recall what I've, I've done with it. I believe I forwarded it on, possibly to Mr Watkins.

And did you have any discussions with him about its content?---Not that I can recall.

Well, did you discuss with him what should happen with it?---No, I'm sorry, I can't recall it.

10

Well, do you recall him telling you to put it in a drawer and leave it until the sale completes or did he ask you to do something else with it?---I think, just coming, calling on my recollection I think he was going to discuss it further with the Minister's office.

THE COMMISSIONER: Discuss the minute or - - -?---Discuss the minute and the timing of the minute in terms of its lodgement.

20

What aspect of the minute was going to be discussed?---The timing for its lodgement with the Budget Committee.

That's all?---I believe so.

MR ALEXIS: Mr Matchett, could you come through to the email at page 24 within tab 5 please?---Yes.

30

Now, did you attend a meeting with Mr Ferguson and the Mayor of Pittwater, Mr Rose, and the Minister on about 7 December, the day before the email at page 24 indicates?---I don't think I did.

So this was an email that Ms Connolly was sending to you after that meeting apparently took place reporting, reporting to you the result of it. Is that how we should understand this email from her to you?---Sorry?

I'm looking at the email on page 24 - - -?---Yes.

- - - at the top of the page?---Yeah.

40

And you see that Ms Connolly is reporting to you about the meeting with the Minister yesterday, do you see that?---Sorry, no, I'm, I'm reporting to Bronwyn, Ms Connolly.

I do apologise, sorry, I have that around the wrong way. So you are reporting to her the outcome of the meeting that occurred the day before, is that how we should understand it?---That's correct.

And if you weren't at the meeting how did you come to be able to so report what occurred at the meeting?---I believe that information was provided to me by the Minister's policy advisor.

That's Mr O'Brien?---That's correct.

And so you understood from what Mr O'Brien told you that the Memorandum of Understanding should proceed and be finalised as a priority. Is that so?---Correct.

10

And you understood that the Cabinet decision will likely be made prior to the Memorandum of Understanding being finalised and that the Cabinet decision would therefore be subject to the finalisation of the MOU?---That was on the basis that we were assuming that the Cabinet Minute may still get to the, to the, for Cabinet consideration before the end of the year.

20

But at the time of Mr O'Brien telling you this and you then reporting it to Ms Connolly you must have still understood that the draft submission would be finalised and would be sent up for consideration by Cabinet?---That was the, yeah, we were still aiming to have that done, yes.

And did you also learn that a Notice to Complete had been issued to Eco Villages?---I think that information was provided to me again by Mr O'Brien.

Now, can you tell us, please, what happened after you reported this to Ms Connolly in relation to the draft Cabinet submission that you'd received from her on 30 November?---No, I can't.

30

THE COMMISSIONER: There is a mystery about this. The mystery is, there was a great deal of trouble taken to prepare a Cabinet Minute, people are told it's a matter of great urgency?---Ah hmm.

The minute's provided and then seems to disappear as part of the process? ---Well, the minute was provided but it still required a significant amount of work to finalise it.

40

I thought that you said to me the only issue was timing?---Well, there was still work required to finish it and that is part of the timing issue and then there was the question of whether it would make the Cabinet agenda for the remainder of the year and, and, and whether it could be considered before the, the end of the year or whether it could be programmed for when the sale of the property had, had been concluded.

And did you give instructions as to how the minute, as to what work still had to be done on the minute?---I, no, I didn't, but I understood there was still some input required from Council.

Who told you that?---I assumed that from the fact that Council had yet to meet with the Minister and did so on 8 December, confirming their willingness to proceed with it.

Well, by that date all the information needed for the minute had been obtained?---It had been obtained but it hadn't been finally drafted.

Well, did you give instructions for that to happen?---Well, that's this email.

- 10 Where does it say that you've got to update the minute?---Well, where it says, "However the Cabinet decision will likely be made prior to the MOU being finalised, therefore the Cabinet decision is likely to be along the lines of, approve the purchase of Currawong subject to finalisation of the MOU."

Well, the MOU's not the minute, is it?---Sorry?

The MOU is not the minute?---No, no, no, but the recommendations in the minute would need to reflect that.

- 20 Mr Matchett, that would take two minutes to put in the minute and I just don't understand the delay or, or the disappearance of the minute as a, as a, as a factor in the process. What is the mystery?---I, I don't know.

I mean, you are one of the few people who can answer this?---Well, the, the decision on whether or not to submit the minute for Cabinet consideration is a matter for the Minister's office. Now, I, I can assume that by this time, and we're getting very close to the end of the year, that we ran out of the opportunity for Cabinet consideration.

- 30 Well, I'm not asking you for assumptions, I'm asking you for evidence as to what anybody told you and what you did. So far I can, I get the impression that you did nothing and I don't hear anything from you explaining why? ---Well, I think it simply fell in a hole because of the, the, the fact that it couldn't make the Budget schedules.

The Budget schedules?---The Budget Committee meeting schedules.

Did you examine the Budget Committing meeting schedules?---The Minister's office would have done that.

40

Did you?---I was, I was made aware of when the Cabinet meetings were likely to be.

And what conclusion did you come to about that?---I was guided by the Minister's office because whilst it may make a Cabinet – may be listed by Cabinet for consideration there's no guarantee that it will actually get on an agenda.

I don't know what you're saying Mr Matchett. I asked you did anybody tell you anything which led to the minute – I asked you in effect or I'll ask you again. Did anybody tell you anything which led to you doing nothing further with the Cabinet Minute?---I can't recall a direct conversation which someone said something like that.

And you have no - - -?---But I would have to have - - -

10 - - -explanation sitting here today as to why you didn't progress the minute further and make sure that it got to the meeting of the Budget Committee or Cabinet?---Simply because we ran out of the opportunity that, before the end of the year.

But why is the end of the year the crucial date, there were Cabinet Committee meetings, there are Cabinet meetings after the end of the year weren't there?---That's correct.

20 And there are Budget Committee meetings after the end of the year.--- That's correct, in January.

Yes. So - - -?---Well, likely I'm not sure exactly of the schedule.

So why, what's the relevant to the end of the year?---Again, we come back to the fact that I think, and I'm again, and I'm assuming that the Minister's office was reluctant to lodge it for consideration until the sale had been concluded, the sale wasn't concluded before the end of the year.

30 Well who told you that? Is that an assumption you're making?---It's an assumption, yes.

Nobody told you that?---No, it's an assumption.

But because of that assumption you let this document lie in a drawer?---I don't think it was left lying in a drawer.

Well, what happened to it?---Well, it was available for, I'm sure the Minister's office had a copy of it.

40 Yes, Mr Alexis.

MR ALEXIS: Do you recall sending this draft submission to the Minister's office do you?---I don't recall it but I'd be surprised if I didn't.

And why would you be not surprised that a draft Cabinet Minute would be sent to the Minister's office?---Sorry, why would I be - - -

Why would you be not surprised that a draft Cabinet Minute would have been sent to the Minister's office?---For their consideration.

So the working up of the draft you saw as being a matter in respect of which you and your staff and the Minister's office would be collaborating on. Is that so?---They would certainly want input into the final Cabinet Minute, yes.

Now can I bring to your attention, Mr Matchett, that Commission investigators have not been able to locate any electronic communication from you to the Minister's office passing the draft submission onto them.  
10 Now does that proposition surprise you?---Yes, I guess it does.

And I suppose there is the possibility that the draft submission was walked over to the Minister's office. Do you have a recollection of doing that?  
---Not a distinct recollection, no.

Do you know if Mr Watkins did?---I don't know.

Are you able to tell us whether the draft submission from pages 14 to 22 inclusive behind tab 5 was progressed at all after 30 November, beyond the form that we see within those pages?---Not that I'm aware of.  
20

Did you have any input at all into the progression of this draft to a more advanced draft submission?---No.

Can I ask you to look at the email firstly which sent the draft to you at page 13. You see at the end of that email Miss Connolly tells you that she has not been able to complete schedule 4.---Yes.

And she's by highlighting indicated areas that she's not aware of?---Yes.  
30

And you look at schedule 1 first of all on page 19 which deals with the subject of budget impact of the proposal, do you see that?---Yes, I do.

And you then come over the page, page 20 of the exhibit, just passing over for the moment schedule 2 and schedule 3, we come to schedule 4 which deals with net on costs to non-budget sector agencies. Do you see that?  
---Yes, yes, I do.

So that's what Ms Connolly was telling you that she had not completed?  
40 ---Yeah.

Now, what would be required in order to complete that schedule to this document?---There'd need to be some input from our Finance area.

Now, do you recall as at 8 December, and I'm picking that date because that's the date of your email at page 24, whether there had been any input from Finance at all on the financial impact of the proposal set out in the draft submission?---I wasn't aware of any.

But did you know that any existed, financial input?---I, I didn't but I would have assumed that the Parramatta office who were preparing the Cabinet Minute had spoken with their financial people.

10 And so if I ask you to look, for example, at page 18 of the draft submission and you'll see that paragraph 9 deals with the subject of financial impact and you'll see that the postulated cost of preparing a plan of management for the proposed state park is put at approximately \$250,000. Do you see that?---Yes.

And other costs of staff and the like are anticipated in the following paragraph. Do you see that?---Yes, I do.

And then it says in the next paragraph which I think should be 9.3, although it says 10.2, "State funding for the purchase of the site is likely to be in the vicinity of 4.5 million being approximately 50 per cent of the 12 million purchase price"?---Yes.

20 And there's a reference there to the donation from the Friends of Currawong and funding from the SRDF. Do you see that?---Yes, I do.

Now as at 8 December, 2010 do you know whether any financial analysis was done as to whether the SRDF could be making a contribution to funding in addition to the donation from the Friends of Currawong?---I know there was talk of it. I don't know how much analysis was done.

30 Well, do you know whether any had been done?---I think there was a, no, I, I don't know.

You don't know. Did you and Mr Watkins speak about the funding that's referred to in this draft submission in December 2010, do you recall?---The specifics in 9.1, 9.2 and 10.2 that should be 10.3 ah, 9.3?

Correct?---No, we didn't talk about the plan of management costs or the staffing costs. There was some discussion on the use of SRDF funding the purchase of part of the site.

40 Now, if you turn to page 19 you'll see that schedule 1 deals with the subject of budget impact of proposal?---Yes.

Now, you'll see that the draft identifies total net cost of services, total consolidated fund revenues and total financial impacts as nil?---Yes.

And that's during the budget year and also for the first four years post acquisition. Is that how we should understand the schedule?---Yes.

And did you have any conversations at all with Mr Watkins up to this point, namely 8 December, about what analysis had been done for the purpose of setting out those results in this schedule?---No, I didn't.

Do you know if any analysis had been done?---No, I'm not aware of any.

10 Behind tab 6, Mr Matchett, is the draft Memorandum of Understanding that is referred to in the previous email that I've taken you to at page 24. And should we understand that you saw the draft MOU by at least mid-December, 2010?---I don't think I ever saw a draft MOU.

So the document commencing at page 25 and running through to page 32 is a document that you had not seen by December 2010. Is that so?---I don't, I don't believe so. I think this was being developed by again the Parramatta office and I was aware of it but I hadn't seen a hard copy of it.

THE COMMISSIONER: Mr Alexis, is this a convenient time?

20 MR ALEXIS: Oh, I see. Yes, thank you, Commissioner.

THE COMMISSIONER: The Commission will adjourn for 15 minutes.

#### **SHORT ADJOURNMENT**

**[11.11am]**

MR ALEXIS: Thank you, Commissioner.

30 Mr Matchett, before the adjournment we were dealing with the Memorandum of Understanding and I think you told us that you never in fact saw the draft. Is that so?---I believe so.

Now, if you look at the material behind tab 7 of Exhibit 1?---Yes.

And if we start at page 33 do you see that on 15 December you were informing Ms Connolly about the position concerning the completion of the contract with Eco Villages, do you see that?---Yes.

40 And she responds and tells you that she's still working on the final details - - -?---Yes.

- - - of the MOU with Council?---Yes.

So did you see there to be ultimately some coincidence between the completion of the Eco Villages contract and then the opportunity for negotiation on the one hand and the finalisation of the MOU on the other? ---You could read that into it.

Well, is that - - -?---I don't - - -

Is my reading of that situation accurate as you saw it in mid-December 2010?---No, I didn't necessarily see a connection between the two.

But you nonetheless saw that finalising the MOU was critical to the conclusion of any negotiations for the government to purchase Currawong? ---No, I don't see how you can read that into that.

10 Well, what was the point of Ms Connolly in mid-December working on finalising the details of the MOU with Council as you understood it?---Well, I understood that Bronwyn's, Ms Connolly's area was continuing to try to finalise the MOU and it was just an ongoing exercise.

THE COMMISSIONER: Well, what was the point of the MOU?---What's the point of it?

Yes?---Well, I assume it was to establish the, the parameters around Council's contribution and Lands' contribution.

20

MR ALEXIS: You see, if you look for example at page 34 behind tab 7, Mr Matchett, you'll see that Ms Connolly was updating you on 21 December and, and informing you that she will continue her confidential discussions with Pittwater Council personnel, do you see that?---Yes, I do.

"We have agreement on most of the wording for the MOU. I will send a progress report to you all later this week." Do you see that?---Yes, I do.

30 So why shortly before Christmas in 2010 was Ms Connolly as you understood it progressing to try and finalise the MOU?---Because it was a, an agreement that needed to be finalised.

And why did it need to be finalised?---Because it had been commenced and it was in progress, the natural progression is to finalise it.

40 And it was to be finalised before, as you understood it, any negotiations for the purchase of Currawong could be concluded into an agreement for the government to purchase it. Is that so?---That was what we expected the Cabinet decision would be but I don't know that there was any direction that it had to be completed before the, before negotiations could take place.

If you turn over to page 35 behind tab 7, Mr Matchett, you'll see that by at least 17 January Ms Connolly was updating you with information she'd received from Mr Ferguson and you'll see the email further down the page and she poses the question to you in that email at the top of the page, "Any progress." Do you see that?---Yes, I do.

And what was that relating to as at 17 January, do you know?---I don't know.

Well, by that time had you learnt that the contract had been completed with Eco Villages?---No.

Did you come to learn that on, well, by 1 February and perhaps you might like to look at the email at page 36. Have you read the email at page 36?  
---Yes, I have.

10

All right. So it's fairly clear, isn't it, that Ms Connolly was asking you whether or not there'd been any progress on the conclusion of the contract with Eco Villages?---Yes.

And you responded 1 February and told her what you understood the position to be?---Yes.

20

Now, at about this time do you recall being passed a copy of a letter that had been written by Mr Shane Withington on behalf of the Friends of Currawong?---Yes, I recall a letter that we received from them or I think it was sent to the Minister's office.

Can I show you this letter please, with a copy for you, Commissioner. And you'll see at the top of the email, Mr Matchett, that you've been copied on this email from Mr O'Brien from the Minister's office to Mr Watkins, do you see that?---Yes, I do.

30

And we see the terms of the communication between the President of the Friends of Currawong and Mr O'Brien concerning the purchase of the Currawong site?---Yes.

Now, do you see the terms of the email from Mr O'Brien which was copied to you says "For your information only at this stage. Please do not disseminate"?---Yes.

Do you recall why that rider was put on the circulation of Mr Withington's letter on 3 February?---No, I don't.

40

Now, just looking at the terms of the letter, do you see that there is reference about halfway through the letter to a meeting last night?---Yes.

And a reference to "if the current negotiations fall through that we should use all the funds donated so far to engage an advertising company to mount a hard-hitting campaign - - -?---Yes.

- - - to run through late February and March." Do you see that?---Yes, I do.

And then if you drop over the next sentence and you look at the sentence commencing, "We would be deeply grateful." Do you see that?---Yes.

And a request is there made for a meeting with the Minister for Lands, Mr Kelly, and Mr Watkins as soon s possible. Do you see that?---Yes, I do.

Now, on 3 February, 2011, did you know why it was that the president of the Friends of Currawong would wish a meeting with Mr Watkins and the Minister?---Well, I expect to put forward his case as he's put in this email.

10

Well, perhaps we can understand why he's want to put forward his case to the Minister, but my questions was seeking to understand what you understood as to why Mr Withington wanted a meeting that included Mr Watkins?---It would be my assumption, and it you're, if you're asking me assume I would say it's because Mr Withington would have been aware of Mr Watkins' involvement in, in Currawong in the past and that he may be a person of, that he could influence to, to ensure the purchase takes place.

20

And how, how do you think in early February 2011 that Mr Withington would have known the Mr Watkins was involved in the purchase of Currawong in the past?---Through meetings that he'd had with the Minister's Office previously.

And you're referring to minutes, meetings that Mr Withington would have had with the Minister's office in the past?---That's correct.

Now, can you tell us when the meeting occurred between the Minister, Mr Watkins and Mr Withington?---I can't.

30

Did a meeting occur?---I think there was a further meeting but I don't know if the Minister and Mr Watkins were in attendance.

Well, were you in attendance?---I was certainly at a meeting with Mr Withington.

And when did that occur in relation to your receipt of this email on 3 February and the meeting that occurred with Minister Kelly on 8 or 9 February?---I can't recall, I'm sorry.

40

Well, if you just jump through to the document behind tab 8, and I'll come to this document in some detail in a moment, but you'll see at pages 41 and 42 that you've signed and dated the Briefing Minute to the Minister on 8 February, 2011. Do you see that?---Yes, I do.

Now, did the meeting that involved Mr Withington occur after your receipt of his letter and the meeting with the Minister on 8 February?---I, I can't place a date on it exactly I'm sorry.

Well, it's likely to have occurred shortly after his letter, isn't it?---The, the meeting that I attended at which Mr Withington was present was a meeting where he advised that his group had, were able to pledge up to \$2 million. Now, whether that was before or after 3 February, I don't know. I think it was before February, 3 February.

So before you received his letter?---Email?

The email?---Yes.

10

All right. Can I tender the email from Mr O'Brien to Mr Matchett of 3 February, 2011, which forwards the email from Mr Withington, Mr O'Brien.

THE COMMISSIONER: The email from Mr O'Brien to Mr Watkins of 3 February, 2011, is Exhibit 27.

20 **#EXHIBIT 27 - EMAIL FROM MR O'BRIEN TO MR WATKINS  
DATED 3 FEBRUARY 2010**

MR ALEXIS: Thank you Commissioner. Now Mr Matchett, could you look at the email at page 38 of Exhibit 1 and do you see on Friday 4 February Miss Connolly sent you a document called a Currawong Brief or a note and asked you if you could look at it and fill in any facts that you might have. Do you see that?---No, I sent that to Miss Connolly.

30 I'm sorry, I had that around the wrong way again. So you've sent her the note and you've asked her for some assistance. Is that so?---Yes.

And you said that you were guessing at the purchase price so if you know anything further please let me know.---Yes.

Do you see that?---Yes.

Now if we just look at what's attached at 39 and 40, is this the draft briefing note that you had by this stage prepared?---Yes, I assume that's the case.

40 And should we understand that when you said to Miss Connolly that you were guessing at the price you were referring to what we see on page 40 of the draft minute, in paragraph 4.1.---Yes, and the figure at probably at 3.6 as well on the last line.

Sorry, I just missed the last part of that answer. Could you tell me again.---The figure in 3.6 in the last line.

Yes, thank you. So Mr Matchett, should the Commissioner understand that at the time you came to draft this note you did not know what the purchase price was that would be the subject of negotiations.---That's correct.

Now when we look at the draft note in 4.1 on page 40 the recommendation is in terms that approval be granted to the chief executive to negotiate, to secure the purchase of the Currawong Beach property for up, for a price of up to \$12 million. Do you see that?---Yes, yes.

10 Now by the time that you came to draft this minute I gather the earlier Cabinet Submission that we discussed before morning tea had not been progressed at all.---Correct.

So can I ask you to explain to us please what occurred which led you to prepare this note for the Minister on or prior to 4 February?---I believe I was asked to prepare the note by Mr Watkins and on the basis that we would now be looking to get Premier's approval to proceed with the purchase rather than the Cabinet process.

20 And is that what he said to you in terms, as best you can recall?---Words to that effect.

And did he say anything to you as to why approval from the Premier was being sought directly rather than putting up a minute to Cabinet or a Budget Committee of Cabinet?---No, he didn't.

Do you recall that he said to you something to the effect that the Budget Committees of Cabinet were no longer sitting and there'd be no further meetings until after the election?---That's possible, yes.

30 And so we are looking at the option of getting Premier's approval or something to that effect?---Yes, it's quite possible.

Now did you know whether that was true as a fact that Budget Committees were no longer sitting as at early February 2011?---I believe that's advice we had from the Minister's office.

And when you say advice we had, who is the we that you're referring to?---Well, the Department.

40 THE COMMISSIONER: Well, who? What individual?---I think that information came from the Minister's office to Warwick Watkins and myself during a meeting with the Minister (not transcribable)

Well, who in the Minister's office told Mr Watkins to your knowledge?---It would have been one of the Minister's advisors.

You don't know?---I, I don't recall, no.

MR ALEXIS: Mr Matchett, 4 February was seven weeks out from the state election on 26 March. Now, did you know at that time whether Cabinet was meeting or there were Budget Committee, meetings of Cabinet meeting over that seven, seven week period or not?---I didn't know, no.

Well, is your evidence to the Commission that Mr Watkins had told you that there were no Budget Committees sitting until after the election so we need to look at the option of getting the Premier's approval direct or something to that effect?---That was the gist of it, whether he advised me that there was no more, there were no more Budget Committee meetings I can't be 100 per cent.

THE COMMISSIONER: You see, I'm not sure what the gist of it means then. What was the gist of what Mr Watkins said to you?---Well, that we would, we would need to go down the path of getting the Premier's approval rather than Cabinet approval.

And he didn't explain to you why?---We, well, I, I think I pointed out earlier that we had heard via the Minister's advisors that that was the case.

MR ALEXIS: And who from the Minister's, Minister's office conveyed that advice?---I answered earlier I couldn't recall who it was. One of the Minister's advisors.

Well, do you mean by that it was either Mr Fenn or Mr O'Brien?---In all likelihood, yes.

Anyone else?---It, the only other person it could have been is a lady called Lee Ellen Lewis who are the Parliamentary liaison person.

Now, after you drafted this minute at pages 39 and 40 and apart from sending it to Ms Connolly for her consideration - - -?---Yes.

- - - did you also provide it to Mr Watkins?---Yes.

Did you get any responding assistance from Ms Connolly about the draft do you recall?---No, I don't recall.

What about from Mr Watkins, what did he say to you about it?---Yes, I think Mr Watkins made some amendments to the, to the draft.

And are you able to recall what amendments he made?---Not specifically, no.

Well, could I invite you to look please at the final minute at pages 41 and 42 - - -?---Yeah.

- - - particularly page 42. Do you have that?---Yes, I do.

And if you could hold open as well page 40 which is the second page of the draft?---Yes.

And could I draw your attention to two aspects between the draft and the final. In paragraph 4.1 you'll see that the words at the end of 4.1 in the draft "for a price of up to 12 million" has been removed. Do you see that?---Yes, I can.

10

And you see that 4.2 has been added with reference to the attached letter to the Premier?---Yes.

Now, can you tell us how those changes came about?---Probably at Mr Watkins' recommendation.

Well, is there any doubt about it in your mind?---Any doubt whatsoever.

20

Well, do you recall removing yourself the reference to a price of up to \$12 million from paragraph 4.1?---No, I don't.

Did Mr Watkins have a conversation with you in and around these amendments being made?---In all likelihood I would have sent it to him electronically and, and he'd suggest some changes.

And how were the changes made to the document?---He may have made them himself or he may have suggested them to me and I made them.

30

And can you recall whether the movement between the draft and the final was the result of him conveying to you orally the amendments and that you then attended to making them?---Yes, I just said either that or he, he had made them himself.

Now, can you explain to us why the reference in paragraph 4.1 to the price up to \$12 million was removed?---No, I can't.

Now, with respect to the new paragraph 4.2 and the attached letter- - -?---Yes.

40

- - -did you draft the letter?---I did an earlier draft on that, yes.

So we should understand then that insofar as the amendment to paragraph 4.2 is concerned with reference to an attached letter, that there was discussion between you and Mr Watkins about you drafting up the letter?---Yes.

And that's what you did, you drafted the letter that we see at pages 43 and 44. Is that so?---Correct.

And what did you do with the draft after it had been prepared?---Ah, I would have sent it to Mr Watkins.

And what response did he make to the draft to you?---Ah, I think he made a number of changes.

And can you identify what those changes were as best you recall?---Probably most of paragraph 2 was added.

10

What page are you on, Mr Matchett?---Sorry, page 43.

Thank you. So the paragraph commencing, "The subject area?"---Yes.

So Mr Watkins added that, did he?---The bulk of that I believe, yes.

And- - ?---I mean, it's very difficult to recall from this exactly what was changed in the letter.

20 Well, just do your best. Can you recall anything in particular on page 34 that came into your draft by Mr Watkins?---Probably the second-last paragraph.

And that's the paragraph commencing- - ?---"Based", yeah.

"Based on an understanding?"---Yes.

And what part of that paragraph did Mr Watkins add into your draft?  
---I think the whole thing.

30

Including the last sentence I gather in relation to there being no additional cost to the budget?---Yes.

Now, how did the amendments that were made by Mr Watkins get communicated to you so they could be worked into the draft?---He would have either made them himself and returned it to me or made the changes on a hard copy for me to make the changes.

40 What, made, made them on a hard copy by hand and then gave it to you to put into the draft?---Yes.

And you can't recall- - ?---I can't recall which- - -

- - -which process was used?---That's right.

Now, when you drafted paragraph 4.1 of the minute, and I'm looking at the paragraph in its final form on page 42- - ?---Yes.

- - -should we understand that you were seeking to obtain approval for Mr Watkins to negotiate with Eco Villages and by the words, "To secure the purchase of the Currawong Beach property", you were seeking to have approval given for the negotiations to occur so that the opportunity to secure it could be obtained?---The intention of the briefing was to secure approval to purchase, to negotiate and purchase.

Negotiate and purchase?---I believe so.

- 10 So if that be the real intent then can you explain to us why negotiate and purchase were not used in paragraph 4.1 on page 42?---Negotiate to secure the purchase.

THE COMMISSIONER: But purchase qualifies negotiations, explains what negotiations are going to be carried out, it doesn't authorise anybody to execute anything.---There's a degree of semantics in that, yes.

- 20 There is no degree of semantics in that, it's a matter of English. There is a fundamental difference between a negotiation and the execution of a contract as I'm sure you understand.---Well, all I can suggest is that the intention was for this to secure approval to purchase, to negotiate and purchase.

MR ALEXIS: Well, Mr Matchett if you look at page 44 the second page of the letter and I gather from the evidence that you gave us before that the first full paragraph at the top of the page is your work, accordingly I'm seeking your approval et cetera. Do you see that?---Yes.

- 30 That's your work?---Well - - -

In draft I mean?---Yes, more than likely.

And you've expressed it there by reference to holding direct negotiations with a view to purchasing. Now can I suggest to you that the intention was to have Mr Watkins authorised to negotiate with Eco Villages to see if the property could be purchased, it wasn't seeking authority to enter into a contract to purchase?---I understood my instructions to be to prepare a brief and a letter that would secure approval to negotiate and purchase.

- 40 Well why didn't the letter say so Mr Matchett because it would have been a simple thing I gather to simply say in this letter, hold direct negotiations with Eco Villages and purchase. That would have made it plain wouldn't it?---It would have been plainer, yes.

Well, I can I suggest to you that your intention when you drafted this was to seek authority to permit Mr Watkins to negotiate with a view to seeing if the property could be purchased because you contemplated that a further step would be required by way of approval before the purchase could be affected

via a contract?---The further step was never conveyed to me as an expected step in the process.

Then why did your draft not say in simple English, hold direct negotiations with Eco Villages and purchase?---Well perhaps it should have.

Well Mr Matchett the other aspect about your letter is that it makes no reference at all to the likely purchase price.---Yes.

10 So, if what you tell the Commission is true then you were seeking to obtain approval for Mr Watkins to negotiate and enter into a contract to purchase Currawong for any price?---There may have been a price in the original draft.

Well, you've already told us I think that in the earlier draft of the minute, let's just go back to page 40 the ceiling on the price was plain according to your first draft in paragraph 4.1. Do you see that?---Yes.

20 And you told me that Mr Watkins instructed you to remove that or removed it himself. You told me that didn't you?---Yes.

So are you telling the Commission that your draft letter contained a reference to the price and that had been removed as well?---In all likelihood.

THE COMMISSIONER: What do you mean in all likelihood? Do you remember this or is this an assumption that you're making?---It's an assumption that if I put it in the brief in all likelihood I would have put it in the letter as well.

30 Did you draft the letter at the same time as you draft the brief?---It would have been immediately after it.

You can't remember?---I can't - - -

You used the word would have been?---Yes.

So that, that is in an indication that you can't remember is it?---I can't be sure.

40 MR ALEXIS: But do you agree with my proposition Mr Matchett that if what you've said to us is true, namely that you intended to obtain by this draft letter authority for Mr Watkins to both negotiate and purchase, then that would lead to him being able to purchase at any price and that can't have been your intention may I suggest to you.---What made, it wouldn't be my intention to have approval for him to purchase at any price, no that's right.

THE COMMISSIONER: It would be very unlikely that the Premier would agree to that wouldn't it?---Correct.

MR BRANSON: Sorry, what was the answer I'm sorry?---Correct.

Correct.

10 MR ALEXIS: Now you've told us that Mr Watkins largely drafted the second last paragraph commenced on, commencing with the words, based on an understanding. Is that so?---Yes, look without a copy of the previous draft I'm speculating on what changes were made and I feel uncomfortable doing that.

But leave aside perhaps the opening sentence, it is your evidence isn't it that Mr Watkins added in the sentence which referred to there being no additional cost to the budget.---To the best of my knowledge, yes.

20 Now what discussion did you have with Mr Watkins about that proposition namely that the purchase could be achieved by the LPMA with no additional cost to the budget?---Well this was something that was discussed over, over many months. This is going way back to the initial meeting with Council in October 2010 that there were funding options being looked at that could result in the purchase without any further call on the budget.

30 But when this letter was being worked through and settled Mr Matchett, did you have a conversation with Mr Watkins and agree with him that there was likely to be no additional cost to the budget and therefore it didn't have to go up to the Budget Committee?---I think that was a position that was established well before the drafting of the letter.

Well, it may have been but you, can you please answer my question. Was the subject of the purchase being at no cost to the budget a reason why the matter didn't have to go up to the Budget Committee as you understood it? ---Yes, I would understand that to be the case.

And how did you come to understand that if the purchase could be achieved without any cost to the budget it didn't have to then go up to the Budget Committee?---I think that was Mr Watkins' advice.

40 Now at the time this letter was being worked through and settled can you tell me what analysis had been undertaken to determine whether or not the purchase would be achieved with no additional cost to the budget?---Not in any detail no.

Well, any detail?---It, it goes back to the, the analysis I guess that was done as part of the MOU process looking at the value of the properties that Pittwater were prepared to provide.

THE COMMISSIONER: The value according to the briefing note?---The value of the properties, the value that the properties would realise as a result of their sale.

According to the briefing note.---Which briefing note I'm sorry Commissioner?

Well, I think you're being asked, you've been shown the briefing note referred to, a value between 5 to \$7 million.---There was one at \$4 to \$6 million (not transcribable)

Yes, it went up?---Yes.

The first one was four to six and the second one was five to seven. Do you recall that?---Yes.

So is that, is that the figure that you had in mind when you drafted the letter which is at page 43 of Exhibit 1 and the reference to no additional cost to the budget on page 44?---That was, that was part of it.

And you did previously say that you knew of no analysis that had been done as to whether that figure is correct, I think. I'm, I'm just asking you - - -? ---No, no, yes, no - - -

- - - whether my memory is correct?---Yes, no detailed analysis.

No analysis at all?---Well, I think there was an analysis of the likely sale price.

By whom?---By Mr Watkins.

Did he tell you?---He, he asked me to check some figures that he'd put together based on an analysis of sales figures for properties in the immediate vicinity and of similar size and, and location in the Pittwater area and I think they were, the, that analysis established that the, a reasonable outcome for the sale of these properties would be in the order of 5 to 7 million.

Was this detail - - -?---Sorry?

- - - in the document? Was this information in the document?---I believe he had a number of maps printed off from our database with some notations on a number of properties indicating the sale price of those individual properties.

And where are those maps?---I assume they're still in his possession.

And when I asked you before about any analysis of the \$5 to \$7 million why didn't you mention this then?---I don't know.

MR ALEXIS: The maps and the work that you understood Mr Watkins had done in relation to the land to be gifted by Council - - -?---Yes.

- - - when had that been undertaken by him as best you recall? Was it back in October, around the time of that early meeting or was it after that?---I think it probably was more, yeah, I don't know. Probably towards the end of 2010 but I, I can't put a date on it.

- 10 If you come back to the first page of the Briefing Minute at page 41 you'll see in paragraph 3.2.1 there's reference to the Pittwater Council's offer to transfer a number of waterfront properties?---Yes.

And reference also to the disposal of those properties to realise income of around, I think that should say - - -?---Yes.

- - - 5 million to be put towards the purchase of Currawong?---Yes, I see that.

- 20 So should we understand that the reference there to 5 million was based on Mr Watkins assessing maps of the area and having regard to information available to as to the sale price of land in that area?---That could be the case.

Well, can you be a little more positive about that? Did you know that? ---That was certainly the figures, that was one of the figures that was, was determined to be a realistic figure, yes.

THE COMMISSIONER: Did, did you see these maps?---Yes.

- 30 With the notations?---Yes.

Did he show them to you?---Yes, and I, I did a similar exercise myself.

MR ALEXIS: And with all this going on, did you see a valuation in relation to the land that the Council was going to transfer to the State?---No, I didn't.

Did you know whether one existed?---No, I didn't.

- 40 Did you go looking for one?---No.

And in doing your analysis did you look at the zoning of the land that the Council was going to transfer to the State?---No.

And did you consider what would have to occur in order for that land to be sold and realise something of around \$5 million?---Yes, I understood it needed to be rezoned.

But did you consider what was involved in that process and importantly how long it might take?---Yes.

And what did you, what conclusion did you arrive at in that respect?---Well, I know that it's not a, a simple exercise to, to get a rezoning completed.

So does that mean then that insofar as the Council gifted land is concerned the proposition of those properties being rezoned and then sold to realise an income of around \$5 million was not going to happen by 30 June, 2011?

10 ---That's a reasonable assumption, yes.

So therefore on the subject of whether or not the likely acquisition was going to have no additional cost to budget you'd have to put completely to one side the likely realised proceeds of those Council gifted land. Is that so? ---I, I wasn't involved in the detail of how the, how the funding would be allocated within a, any financial year.

20 But you know that the letter that went to the Minister for his signature was a letter that was going to be, if accepted by the Minister of course it was going to go up to the Premier seeking approval?---Yes.

And you know that the letter said that the purchase could be achieved with no additional cost to the budget?---Yes.

And you know that because the timing in relation to the Council land was such that whatever proceeds could be realised from that was not going to be received before the end of the financial year?---Yes.

30 So therefore the consideration of an effect on budget was one that excluded the receipt potentially of the Council land?---Well, unless that cost could be offset from some other source and, and reimbursed in the next financial year. I - - -

All right. So - - -?---As I said, I wasn't concerned with the detail of financial analysis of how the, how the impact could be managed.

40 Well, if you put aside the Council land, where was the money going to come from as you understood it when you were drafting and settling this letter with Mr Watkins before the meeting of 8 February?---I understood some money to come from the SRDF and other money to come from the, from outer internal Crown Lands Entity funding.

Now, as at 8 February do you know whether or not any application had been made to the SRDF for funding?---No.

Did you know whether any application had been made for the purpose of utilising funding from the Crown Lands Entity?---No.

Do you know whether or not there was money available in the Crown Lands Entity to fund the purchase without there being any effect on budget?---It's a standing fund so I assume that the, there was funding available.

But, Mr Matchett, you know don't you that the Crown Lands Entity with its standing fund has a remitting obligation to Treasury every month, don't you?---No, I wasn't aware of that.

10 Are you serious, Mr Matchett?---Sorry?

Are you serious in that answer?---Yes.

You're telling the Commission that in February 2011 you didn't know that the Crown Lands Entity had an obligation to remit both income and capital receipts into that fund to Treasury on a regular basis?---On a regular basis but not on, I wasn't aware of it being required on a monthly basis.

So you're taking issue with my reference to monthly, are you?---Not issue.

20 Well, what's the position, Mr Matchett, did you know that the CLE, the Crown Lands Entity - - -?---Mmm.

- - - had a reporting and remitting obligation to Treasury?---I would assume it would have on a, on an annual basis.

30 Now, can you tell me what analysis if any was done prior to 8 April, 2011 to determine whether or not there were funds available from the Crown Lands Entity so that the utilisation of those funds would have no ultimate effect on the budget?---No, I can't.

And is that because as you understood it on 8 February, 2011 no such analysis had been done?---No, I was not aware of any such analysis.

Well, did you speak to Mr Costello about this?---No, I didn't.

He's the Chief Financial Officer, isn't he, of the LPMA?---Yes.

40 Do you think he might know something about the available funds in the CLE account?---Yes, he would, of course.

And was he involved at all in the finalisation of this letter that was provided to the Minister under the minute of 8 February?---Not that I'm aware of.

So you're not aware that he was asked to look at and consider whether or not any purchase of Currawong was going to have no additional cost to the budget. Is that so?---I didn't ask him, I don't know if anyone else did.

Well, do you know if Mr Watkins did?---I don't know.

Were you involved in any conversations between Mr Watkins and Mr Costello concerning that subject?---No.

Were you at the meeting with the Minister on 8 or 9 February when the Minister signed the minute that we see on page 42 and the letter at 43 and 44?---I believe so.

10 And can you recall - - -?---Oh sorry, sorry, what was the date of the meeting?

Well, if you look at page 42 behind tab 8 Mr Matchett, you'll see that you have signed and I gather dated - - -?---On the 8<sup>th</sup> yes.

- - -the document 8 February, the date sitting between Mr Watkins' signature and that of Minister Kelly is dated 9 February.---Yes.

20 Can you tell us whether the meeting was on the 8<sup>th</sup> or the 9<sup>th</sup>?---Well, I assume it was 9<sup>th</sup> if there was such a meeting.

And did you attend the meeting?---Could you tell me what day the 9<sup>th</sup> is?

I'll have that looked at Mr Matchett but leaving aside the particular date or day, can you recall being at the meeting?---No, I can't.

But Mr Matchett - - -?---I can't recall being present - - -

30 You were the draftsman of the minute, you were the draftsman of the letter both documents were subject to – thank you – subject to some amendments that you've told us about from Mr Watkins.---Yes.

And you are unable to recall whether you were at the meeting when this was being discussed?---Well, I'm unable to recall firstly whether there was a meeting.

40 The 9th February is a Wednesday if that's of assistance to you.---It wouldn't be a normal, it wouldn't be a normal day for us to meet with the Minister we normally have a standing meeting on the, on a Monday. It may be that this was, this was walked up individually by Mr Watkins or I just don't know, I don't know how it was conveyed to the Minister's office.

Mr Matchett, you were interviewed by Commission investigators on Monday 6 June, weren't you?---Yes, I was.

And you met with Mr Watkins over the weekend immediately preceding that interview with Commission officers didn't you?---Yes.

And you knew before that weekend meeting with Mr Watkins that arrangements had been made for that interview to take place first thing Monday morning?---Yes.

Can you recall where it was that you met with Mr Watkins over that weekend?---It was at Berowra.

Whereabouts at Berowra?---It a rest area, roadside rest area.

10 Near the old toll gates?---That's correct.

On the old Pacific Highway?---Yes.

And at about what time did you meet him there?---Oh about 4.00pm.

And were you alone?---Yes, I was.

Was Mr Watkins alone?---Yes he was.

20 What did you discuss?---Mr Watkins advised me that he had been interviewed the previous Friday, that the Commission was aware of a backdated letter and I think he just needed to get that off his chest.

What else was discussed?---I asked Mr Watkins what some details of the letter which I was not aware of. I asked when it was, when it was dated. He advised me it was the 18 March. I suggested to him that I was not in the office on that day and wasn't aware of it. He said, that's correct. He advised me that regardless of the backdated letter he thought that he had the authority to proceed with the purchase anyway and that it was a mistake for  
30 him to arrange for the letter to be backdated.

Now Mr Matchett I gather you had to drive some distance to meet with Mr Watkins on this occasion?---Not really.

You're at Hornsby or thereabouts are you?---I'm at Mount Ku-ring-gai yes.

All right. And Mr Watkins you understood was at his holiday place that weekend and had driven down from the Central Coast to meet you?---That's  
40 right.

And can you tell us why you met near the old toll gates on the old Pacific Highway and you didn't have this conversation over the telephone?---It was at Mr Watkins' request.

And why did he ask to have that meeting with you at that location?---We had met at that location on a number of other occasions when we were travelling north from Brisbane, from Sydney and it was a convenient location that we both knew.

But why did he request the meeting in that location rather than talking to you about these things on the telephone?---I assume because he advised at the end of the meeting for him to meet with me was, he was advised by the Commission that it wasn't the appropriate thing to do and that it could lead to some significant problems for him.

10 Could you just repeat that again because I, I'm not sure that everyone heard your answer Mr Matchett. What did he tell you?---I think they did but I will repeat it.

But Mr Branson says he wants to hear it again so could you tell us again please.---Okay. He advised me at the end of the meeting that for him to meet with anyone and discuss the outcomes of, of his interview on the previous Friday that he could be in serious trouble.

20 And so you understood that he wanted to meet you at a private location to discuss with you what was likely to be the subject matter of the interview that you were giving on the Monday morning with the Commission investigators. Is that so?---No, the impression I got from the meeting was that he wanted to get off his chest that this letter had been discovered and that he was obviously quite distraught and I think he just needed someone to talk to.

And this was on the Saturday 4<sup>th</sup> or Sunday 5<sup>th</sup>?---The Saturday I believe.

Now Mr Matchett, can I ask you to go please to the documents behind tab 9 and can we start at page 47A.---Yes.

30 And do you see the document at page 46?---Yes.

Seems to be a cover page which records the receipt of the document on 28 February 2011. Do you see that?---Yes, I do.

And then if you see page 45 this appears to be an internal LPMA document - - -?---Yes.

- - -which ultimately I gather brought the Premier's letter to your attention. ---Yes.

40

Do you see that?---Yes.

Are the two documents that we see at 46 and 45 standard internal documents which relate to the document so as to ensure that the letter goes to its right destination?---Yes, it is.

And should we understand from the date stamped on page 46 that the Premier's letter was received in your office on 28 February?--- Yes.

And may we take it that the first time you saw the Premier's letter at 47A was on about that day?---More than likely in some instances these, the, the letter that was undercover of these could have been scanned and emailed to me or to Mr Watkins upon its receipt in the Minister's office.

All right. Now, when you read the Premier's letter and I take it when you saw it whether in a scanned form or in a hard form, you did read it?---Yes.

10 And when you read it did you notice that the opening paragraph of the letter seems to have adopted the language of the letter that you'd drafted, using the expression "hold direct negotiations with a view to purchasing"?---Yes.

And did you note in the next paragraph the reference to the budget?---Yes.

And did you then read that the Premier was happy to provide approval and that she looked forward to advice on these important negotiations?---Yes.

20 And did you appreciate when you read that that the Premier read your letter and understood it as seeking approval for negotiations but not negotiations and a purchase?---I didn't necessarily interpret it that way.

Well, how did you interpret it?---Well, I interpreted it as approval to negotiate and purchase.

30 And you say to the Commission, do you, that you interpreted the letter that way despite the last paragraph referring to her wanting advice back on important negotiations and making no reference to a purchase?---Well, it's, it's unclear as to where, at what point those important negotiations, the advice on the important negotiations is to be provided.

And was it unclear when you read it?---I read it in view of the request that went to the, to the Premier and the intention behind that request.

40 But this is a letter from the Premier that you understood was responding to the letter that had gone and she, of course, wouldn't have the benefit of any intent that you might have had and didn't you think when you read the letter and particularly her reference to "we are looking forward to advice on negotiations" that she had understood your letter as requesting approval for negotiations but not negotiations and a purchase?---Not necessarily.

THE COMMISSIONER: Well, I'm not sure what you mean by, your qualification about necessarily, that seems to, to accept the possibility that you might have seen it in that way or you might not have and you, so I'm not sure what you're saying, Mr Matchett. I'm inviting you to clarify your answer?---Sure. With the benefit of hindsight I can see Mr Alexis' point of view but on initial reading of it I was of the view that it was an approval to proceed.

MR ALEXIS: Now, Mr Matchett, if you look at the letter at the page behind tab 10 please?---Yes.

Now, you've told us that Mr Watkins told you on the roadside of the Old Pacific Highway on 4 June about this letter. Do you recall that?---Yes.

When was the first time you saw this letter?---On my return from leave which would have been 22 March.

10

And should we understand, Mr Matchett, that you went on leave from Monday, 14 March for one week and one day?---I, I left work on leave on the 10<sup>th</sup> in the afternoon, about 3 o'clock in the afternoon. I was on leave until - for the rest of that Thursday and, and the Friday. I then on the Monday had an operation on my ankle and I was off work until the 22<sup>nd</sup>.

So you first saw this letter when you returned to work on the 22<sup>nd</sup>. Is that right?---Yes.

20

All right. Now, I'll come back to that. Now, before you went on leave should we understand that you had, could we have Exhibit 5, please, you had obtained in the course of your day to work the email from the Department of Premier and Cabinet concerning the Caretaker Conventions? ---Yes.

And if we can Exhibit 5 shown you you'll see, Mr Matchett, that there's the email from the Department, you'll see the date at the foot of the page, 14 October, 2010 and that attached the Caretaker Conventions guideline document?---Yes.

30

And may we take it that you received that and well understood the application of its provisions from at least October?---Yes.

And further, I'll just ask you to hold Exhibit 5 for me, can I also show you this document with a copy for you, Commissioner. Do you see an email came from the Office of the Director General of the Premier's Department which Ms Hopkins sent to you, you see the email at the top of the page, on 2 March, 2011?---Yes.

40

And if we turn the page you'll see that she forwards to you Mr O'Reilly's memorandum concerning supplementary advice to the Caretaker Conventions?---Yes.

And should we understand that you read this and the documents that were attached to it?---I scanned them, yes.

You knew as the opening line of Mr O'Reilly's memorandum confirms that the government was moving into Caretaker on 4 March?--- Yes.

And, and you knew that generally speaking no significant new decisions, appointments or contractual commitments should be made on or after Friday. Do you see that?---Yes.

And you understood that?---Yes.

10 And the guidance note that's referred to in the next paragraph you well understood was the document which you'd obtained back in October the previous year, a copy of which is Exhibit 5?---Yes.

And this guideline, I withdraw that, I'm sorry. This memorandum from Mr O'Reilly was to also bring to your attention two further guidance notes, one relating to the Parliamentary Budget Officer and one relating to the use of Cabinet documents and other state papers?---Yes.

And did you read those two documents?---I can't recall.

20 Now, did you bring this to Mr Watkins' attention, this further memorandum from Mr O'Reilly?---I didn't personally.

But you'd expect his personal assistant, Ms Hopkins, to have sent it to - - -? ---Yes.

- - - him as well?---Yes.

30 And may we understand, Mr Matchett, that by at least Wednesday, 2 March, two days before the commencement of Caretaker, from what you had discussed with Mr Watkins he well appreciated the application of these Caretaker Conventions?---Yes.

Thank you. Can I tender that email, Commissioner.

THE COMMISSIONER: Yes. The email from Ms Hopkins to Mr Matchett of 2 March, 2011 is Exhibit 28.

**#EXHIBIT 28 - EMAIL FROM MS HOPKINS TO MR MATCHETT  
DATED 2 MARCH 2011**

40

MR ALEXIS: Now because you were on leave, Mr Matchett, I gather you were not involved in any meetings that preceded the exchange of contracts for the purchase of Currawong on 15 March?---That's correct.

Now, just coming back to the two documents behind tab 9 please, the internal documents that travelled with the Premier's - - -?---Yes.

- - - letter that I spoke to you or that I asked you about earlier, when you came back from leave did you see any of these types of documents in existence that related to the letter behind tab 10, that is the letter under the Minister's hand of 28 February?---No.

And can I also just confirm with respect to the document behind tab 15, if you could go to that please and you'll see that this is a briefing minute which has the date 16 March under Mr Costello's signature. Do you see that on page 69?---Yes, I do. Yes.

10

Were you involved at all in the preparation and despatch of that document to the Minister and other people?---No, I wasn't.

Could I now come to Exhibit 16 please.

THE COMMISSIONER: Exhibit 16.

MR ALEXIS: Exhibit 16 and Mr Matchett you'll be shown that momentarily. Now you've been shown Exhibit 16 Mr Matchett which is an email that was sent by Mr Watkins to you late on the evening of Monday 21 March. Do you see that?---Yes, I do.

20

And should we understand that you saw that when you arrived back at work after being on leave on the morning on 22<sup>nd</sup>?---Yes, in all likelihood.

Do you recall looking at and reading this from home during the Monday evening?---Oh, I doubt it, given that it arrived at 10.41pm.

30

Now while you were on leave were you nonetheless in communication perhaps by telephone with Mr Watkins?---I don't know that I spoke with Mr Watkins. I spoke with Lexie Hopkins.

And had you learnt before your arrival back to work on the 22<sup>nd</sup> that Mr Watkins had been stood aside as the chief executive officer of the LPMA? ---Yes.

And did you learn that that had occurred by reason, by reasons associated with the purchase of Currawong?---Yes.

40

Now have you got something with you there in the witness box apart from the folder of documents that I've been taking you through?---Exhibit 16.

And anything else?---No.

Right. Now when you've looked at this email Exhibit 16, may we take it that you looked at the document that was attached which set out the terms of reference for an inquiry.---Yes.

And you understood that that was an inquiry that had been commenced by reason of Mr O'Reilly's conversations at least with Mr Watkins that it had preceded the week that you were on leave.---That had preceded the week that I was on leave.

10 Well, you understood from either Miss Hopkins or from Mr Watkins that Mr O'Reilly and Mr Watkins had a number of conversations the previous week and that arising out of that an inquiry had commenced and you were sent the terms of reference on Monday 21 March that evening?---All that I was aware of was that Mr Watkins had been stood aside pending an inquiry on, relating to Currawong and that the terms of reference were provided to me on Monday evening.

All right. And may we take it that you looked at the terms of reference?  
---On Tuesday, yes.

20 And you saw for example in paragraph A and paragraph B down the bottom of the first page of the terms of reference, that questions were being posed about whether Mr Watkins was authorised to execute the contract?---Yes.

And proceed with the transaction without final approval from Executive Government?---Yes.

And you noted, no doubt, the other matters that were an issue as well?---Sure.

30 And then just coming back to the email you see that Mr Watkins in terms asked you to look at the attached terms of reference and in the following email I will send you my statement in reply. Do you see that?---Yes.

And did a statement from Mr Watkins come to you by way of a further email?---I don't recall if it came to me on that evening or if it came to me the following day or if he handed me a hard copy of it.

You see he then says, "Can you please review both documents - - -?---Yes.

- - - and look at what I have missed and could add"?---Yes.

40 And do you remember reviewing the terms of reference and the statement in reply and responding to Mr Watkins in accordance with his request?---I certainly looked at the terms of reference and I looked at his statement. I don't know that I responded to him by email. I may have spoken with him about the, about his statement.

And do you recall what it was that you spoke to him about in relation to his statement?---Just that I thought it was quite comprehensive.

And apart from telling him that you thought it was comprehensive did you speak about anything else as you recall it?---No.

Now, do you recall reviewing his statement and making amendments to it? ---If I did they were very minor, probably grammatical more than anything.

And do you recall having made some amendments having those amendments tracked in the particular computer programme you were using and then emailing that back to Mr Watkins?---That's possible.

10

And do you remember then speaking with him about the content of the statement after sending him your suggested amendments?---That's possible.

And do you recall what was said between you and him at that point about the statement?---No, I don't.

THE COMMISSIONER: Mr Alexis, is this a convenient - or do you wish to - - -

20 MR ALEXIS: Oh, I see, yes.

THE COMMISSIONER: If you - - -

MR ALEXIS: Yes, it is a convenient time, thank you.

THE COMMISSIONER: The Commission will adjourn until 2.15.

30 LUNCHEON ADJOURNMENT

[12.47pm]