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PRIME MINISTER

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TRANSCRIPT OF TERRY WILLESEE TONIGHT - 27 SEPTEMBER 1985

WILLESEE: Do you know as yet whether any of the monies paid to Dr Armstrong can be recovered?

PM: Well, I have sent now all the papers to the Solicitor-General, I can't answer that question until I get an answer from the Solicitor-General.

WILLESEE: Would you like to recover those monies?

PM: I would like the appropriate processes of the law and morality to apply and I can't respond in respect to the legal position until I am advised by the Solicitor-General.

WILLESEE: How did Mr Reid explain to you that a 6 year payout to Dr Armstrong when an agreement existed to pay only four months notice on termination?

PM: Well, Mr Reid's position is that he believed, according to his understanding of the law as it was put to him, despite the fact that the letter said only four months notice was required, that there could be some threat of wrongful dismissal if there weren't the full payout. Now, the letter which constituted the contract of employment, which was shown to me for the first time last night, is in my judgement and of all those who advise, crystal clear in this regard.

WILLESEE: Has Mr Reid made a genuine mistake?

PM: As in the case of my request that Dr Armstrong be removed, so in the case of Mr Reid. I am not in the business of trying to attack the individuals concerned, go to why what happened did happen. All I must be concerned with is what happened and what happened was not acceptable and in those circumstances I had no alternative but to ask for the resignation.

WILLESEE: Mr Hawke, there is a lot we don't know, the general public, about what has been going on. Have there been any personality problems behind all this?

PM: Well, I don't know, Terry, I don't know. And I certainly haven't, in any of the decisions that I have taken in this matter, allowed any suggestion of personal consideration to enter into it. They haven't entered into my consideration or my decision.

WILLESEE: It is possible the \$240,000 part of Dr Armstrong's payout may in fact be non-taxable?

PM: Well, it has been so constructed to achieve that result. And that is why, in part, I have referred this matter to the Solicitor-General to see whether, in fact, it is within the law to have done that. What is certain is that there has been a tax minimisation contrivance. And in my conversation with Mr Reid on the phone on the 10th of September and then by letter on the 17th of September, I made it crystal clear by reference to tax minimisation that that was not on as far as the Government was concerned.

WILLESEE: Mr Hawke, you reacted when you heard taxation being discussed in relation to these payouts. Why didn't you react when you first saw those rather exorbitant looking figures that were going to Dr Armstrong? Why no reaction then?

PM: There are two separate issues. And I want to go to them. As to the amount. The question of the amount arose because in the conversation I had on the phone with Mr REid on the 19th of August, he told me on the phone that there would be a large amount of this order because what was necessary under the contract was to buy the contract out. He said he has got 6 years to run and that the level of salary he enjoyed plus the associated long service leave entitlements, annual leave entitlements, that you are up in that ball-park figure. So the amount followed from what he had said to me in regard to the requirements under the contract.

WILLESEE: So you believe you had no alternative but to accept those figures?

PM: Yes, of course. When the Chairman said to me on the phone that this was what was required and as under the law which he properly insisted he had the responsibility of negotiating this matter, then I understood he was going away and negotiating in those terms. So the amount came as no surprise. I notice that the composition was different. But the question of tax which I now go to as the second issue, didn't occur in my thinking there when I saw that amount. I saw it was a different composition, but I just had no thought in my mind that the Bicentennial Authority, in finalising this matter, would involve itself in tax minimisation or possibly avoidance. I mean it just didn't occur to me. Then when I spoke on the 10th of September to Mr Reid, when I first said to him, look I am puzzled about the difference in the composition. I mean it is not 6 years payment out of an amount of salary, but you have got certain salary and long service leave entitlements. And then this great big hunk in there, he said well this goes to the question of tax advantage for Dr Armstrong. As soon as that was said, the question mark immediately arose and I said to him, this is on the 10th, well look, if there is any question of tax minimisation or avoidance, that is not on and I want you to let me know in writing just what is involved. And I followed that up with a letter on the 17th, when I came back from New Guinea on the weekend, on the 17th I wrote and spelt that out. So there is the relationship between the amount, Terry, and the tax issue.

WILLESEE: And that takes us up to last night?

PM: Yes.

WILLESEE: Well, the Bicentennial Board has problems at the top. And when an organisation has problems at the top it usually filters through. Do you plan any other action with the Board?

PM: I am very glad you asked that question, Terry, because it focusses attention where it should be, at the future of the Authority. And there are just two or three things I would like to say about that. Firstly, in fairness to Mr Reid and Dr Armstrong, the impression shouldn't be left that nothing has been done. A great deal has been done and I am certain that with the things that are now to be done, which I will go to in a moment, that Australians can look forward to a 1988 in which there will be a great year, not just of celebration but of the undertaking of projects which will have lasting value. Now let me come to the point as to what we are doing to strengthen, if you like, the operation of the Authority. I preface it by saying Terry, that I have to operate under a piece of legislation which separates and distances the Government and the Parliament from the operation of the Authority. But what we are doing, I am grateful to Mr John Utz, who is a member of the Board and the Chairman of the New South Wales Bicentennial Authority. He has accepted the interim chairmanship of the Authority. We will together, I believe, in the near future, appoint a new Chief Executive, and then as soon as possible get a new Chairman after the interim chairmanship of Mr John Utz. Secondly, I will be discussing with Mr Utz, ways in which we can strengthen the accountability and reporting process of the Authority to the Government so that there is a closer relationship between us, than in a sense is strictly, legally operable under the legislation of our predecessors.

WILLESEE: Mr Hawke, thanks for those two points. And we have to wrap it up. Before we go, two things more important. Two grand finals this weekend, what are your tips?

PM: In Melbourne, all the evidence suggests that Essendon should win, I will be barracking for the Hawks, but if you were betting you would have to bet on Essendon. And in Sydney, St George. I am going to their breakfast on Sunday morning, and I must barrack for them although I have a great respect for the capacities and the club of Canterbury.

WILLESEE: Sounds like an each way bet?

PM: No, I am saying St George.

WILLESEE: Thanks Mr Hawke. Have a good weekend.

PM: Thank you.

ENDS.