



PRIME MINISTER

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TRANSCRIPT OF INTERVIEW WITH MIKE WILLESEE - 27 SEPT 1985

WILLESEE: Is it satisfactory that a man who has been working for a relatively short time with a government authority gets sacked with a half a million dollar, mostly tax free, golden hand shake.

PM: In the circumstances it is not satisfactory Mike. And I think I have made it clear that it is not satisfactory.

WILLESEE: What went wrong?

PM: Well, let me give you the sequence of events as briefly as I can. I spoke with Mr Reid and said to him that on all the evidence available to me, it was best if Dr Armstrong's employment should be terminated. I have deliberately not gone into the details of that because, I think you know me over many years, I don't seek to impose hurt on people if I can possibly do it, and I haven't gone to details. I discussed it with Mr Reid. He came back to me on the 19th and said alright, that is what would happen because he had the authority. I could not instruct him under the law, but I made my point of view known. He said, very well, it will cost a fair bit of money because there will be 6 years of a contract to buy out and associated things like long service leave. Now that was put to me that that what was required and that is what he would proceed to do. So that is the point about the amount. Then secondly, there is the question of tax. When Mr Reid got in touch with me and said, at the end of August, well here is the amount. It was an amount which was of the order that was represented by what he had said before. It was a somewhat different composition but because I didn't have any feeling at all that there would be any question of tax minimisation I didn't go to it. And when I did speak to Mr Reid on the 10th of September, I said to him then that I was puzzled by the difference in the composition, because the amounts that were broken up only had a small amount in regard to salary and long service leave and had this big hunk, \$240,000, in another category. And I was puzzled by this change. And then there was reference made by him to tax advantage. And I said, wait a minute. I said this Government is not going to have anything to do with an arrangement involving tax minimisation or avoidance. I want you to give me in writing a detailed account of what is involved. And I wrote to him then on the 17th, spelling that out.

PM cont: Now I find, last night, when I see the contract for the first time, that it is not a question of 6 years or 5 years, but termination by either side with 4 months notice. Now, I am simply saying, there are the facts. And it was not acceptable to me. I am not going to questions about Mr Reid's integrity. I am not going to that. I am simply saying it was not a satisfactory answer and in those circumstances I had to ask more and I received, and I thank Mr Reid for the way in which he did respond. Because I think it was the appropriate response.

WILLESEE: What responsibility do you take personally for this matter in toto?

PM: Well, I have explained my actions and I accept the responsibility and am proud of the fact that I have discharged the responsibility in a way which is appropriate at all times in terms of the information available to me. And when, at the first moment, there was any suggestion of improper course of action in regard to tax matters, I immediately within the second, went to it. And I have now referred the correspondence on the matters to the Solicitor-General to be advised as to whether in regard to what has happened there is anything which should be done in regard to this amount.

WILLESEE: Are you now concerned that you may face a censure motion in the House?

PM: I tell you what, nothing could please me more because on the basis of what Mr Howard has done today in his statements, if there is a censure motion it will be the Opposition by us, because he has deliberately misled the people. He is saying that in the papers that I tabled that we left out a page of the document. Mr Howard knows that I went to him in the House and I said this document is in here by mistake, the first page had been put in, it was put in by mistake. He knew that that was there by mistake because it contained a reference to a personal matter. He agreed to the deletion of the personal matter. The one paragraph that was on the second page that wasn't tabled, because this page had got in by mistake, the one matter that was covered in that had been totally covered by me in all that I had said in the Parliament and outside.

WILLESEE: But in a press statement or press notes on September 11, you said that Mr Reid and Dr Armstrong had concluded that the best interests of the ABA would be for Dr Armstrong to leave its service?

PM: Yes.

WILLESEE: Now was that really the truth?

PM: It was a totally accurate statement and a statement, let me say, that was cleared with Mr Reid. My whole concern from the beginning of this matter Mike, was to ensure that what was done, that was necessary for the welfare of the Authority should be done. And I sought at no time to add to statements anything that would unnecessarily cause hurt or embarrassment to Dr Armstrong. And that statement was cleared by Mr Reid.

WILLESEE: Why would Mr Reid agree with that when he made it clear in his discussion with you and in the notes of that discussion recorded by your staff that he wanted to keep Dr Armstrong?

PM: You see, get the sequence right that I have put to you. I spoke to him on the 15th of August. And I put to him that for the reasons that I advanced, I believed it was in the best interests of everyone that there should be this termination. I could only put that view to him. I could not instruct him. He'd listen to what I had to say and put points in defence of Dr Armstrong. And he said, well I will go away and think about it. And he then came back to me on the 19th and said well I have thought about what you have said. We will go ahead and do it. But he insisted and rightly insisted because that was what the legal position was, that the negotiations now in regard to this matter was entirely for him and must be with him. And it is in that context that the statement was made and the statement is a statement of total accuracy.

WILLESEE: So he changed his mind from his discussion with you until a day or two later?

PM: You can ask whether he changed his mind. It may still be that he would think rather not to if he had his way. But he had listened to the Prime Minister who had no legal authority to dismiss Dr Armstrong. I had no authority because under the legislation passed by our predecessors the Authority was put away from the government and the Parliament. So I had no rights. All I had was a responsibility in terms of the public interest, to put a view and I put it strongly to Mr Reid. Now he went away and thought about that and talked with Dr Armstrong and reported back to me on the 19th and said alright this is going to be done, but Mr Prime Minister it is my responsibility and I will proceed to the negotiations.

WILLESEE: You are clearly not happy with the amount paid to Dr Armstrong let alone the manner in which it was paid. But it seems that you were first made aware of that when Laurie Oakes revealed it on television on September 10.

PM: Well, that is no-one's understanding, Mike. The position is this. That when I spoke on the 19th of August to Mr Reid, and he said alright I am going ahead with this. He said it will be a large amount of money because there is 6 years of the contract to buy out. And at the salary of Dr Armstrong plus the long service leave entitlements etc, that is associated with it, that is the sort of ball-park figure, because there is 6 years of the contract to be bought out. And so he said, I am going away and negotiating on that basis because that is what is required. So off he went. When the letter came to me at the end of August, the amount was in that ball-park that he talked about and I noticed that there was a different composition in the amounts. He didn't have a figure that which said six times salary. Now I noted that. But the question of tax simply didn't arise in my mind, that there would be any suggestion of minimisation of tax. It was only then when I spoke to Mr Reid on the 10th, I said to him, look I am puzzled by this change in the composition of this amount and it was in response to that observation of mine

PM cont: about my puzzlement as to the amount that he referred to tax advantage for Dr Armstrong. I said, wait a minute and I immediately said this Government is not going to be any part of any contrivance to minimise tax or avoid tax. I want you to get in touch with me and set out the facts of this matter. And I then followed that up with a letter on the 17th of August saying exactly that. Now it wasn't until last night that I got the written response from Mr Reid and attached to it, the letter which dealt with the terms of the contract which was certainly not in the terms that had been talked about on the 19th.

WILLESEE: But back on August 19, you got a letter from Mr Reid which detailed those relevant parts of the settlement and one was a restraint of trade.

PM: There was nothing in that letter which indicated any change from the structural basis, that is 6 years of salary. If you want to ...

WILLESEE: But it said restraint of trade?

PM: But, if in addition to the things that he mentioned to me, he was saying there were certain things that had to be taken into account, well that was for him to undertake in the negotiation. But what I am saying is that the amount, the order of the amount that he talked about was in terms of 6 years of salary, in the event the amount that he came up with was virtually the same as would have been arrived at by the six years time salary, but differently composed. And the difference in the composition which I went to when he referred to tax advantage was simply that if it had been done in the way that was put to me of six years salary there would have been tax attached to it. When it was made up in the way it was, this 240,000 didn't attract tax at all.

WILLESEE: But the fact is that on August 19 you had from Mr Reid a letter which, among other things, said that he wouldn't be allowed to work in competition etc, etc, a restraint of trade. Now did you know that restraint of trade invokes a tax free allowance.

PM: I don't know whether you are trying to avoid the point. What I am saying to you, I spoke to him on the same day. The letter was telexed up. I spoke to him. And it was in that conversation that he put to me that what would be involved was a large amount, he put the order of it, over 400,000, because it was 6 years times the salary. Now that was put to me on that day, the 19th of August, that you are talking about. And that established the ball-park of the figure. Six years of the salary at that amount, with the associated figures of long service leave. Now that was the explanation that was put to me on the phone. And to be totally fair to Mr Reid, he has never in any subsequent discussion including last night, challenged at all, he has agreed that that is what was said. Now the amount turns up, it is the same amount as was talked about by that sort of method. But when I talked to him about it and said well look I am puzzled by the difference in composition. He said, oh well, tax advantage.

PM cont: And tax advantage, as it emerges, because if you explain it that way and describe it that way, the 240,000 doesn't attract tax. And it is that which is unacceptable.

WILLESEE: But that is the point of my question. That I accept what you are saying, but we don't expect the Prime Minister to analyse every line of every document, but did your advisers not pick up that restraint of trade factor.

PM: Because there was no point, in terms of the conversation which I had with him on that day, Mike, which you don't seem to grasp ...

WILLESEE: But I have read the letter.

PM: Sure. But the letter of the 19th had been written. He then spoke to me on the phone. And so this was the same day. And so in regard to that day's conversation, the position that you have is that the Prime Minister was told there will be this amount of money of this sort of order because it is six times the annual salary, that gets up with the other associated long service leave and so on. Now, and there are other conditions and so on in regard to a contractual basis. And it was in that context where I said to him that I understood there was some contractual arrangement. I said if there are entitlements make sure that you err on the side of generosity. Because if there are entitlements, I believe that that was appropriate. Now what changed was not the proposition that you had to pay these things to achieve a position in regard to restraint of trade. Nothing of the sort. The amount of money was no different. What was different was that if it had been, as was put to me, six years times the salary, then there would have been tax attracted to it. When you rearranged it and described it in this way which couldn't relate to the fact any rate, then there was no tax. Now, as soon as that question of tax was raised on the 10th, I said wait a minute that is not on.

WILLESEE: When were you first aware that the basic requirement to pay Dr Armstrong out was of four months notice?

PM: I got that letter last night for the first time.

WILLESEE: But you were asked a question in the House on, I think, August the 19th?

PM: On August the 19th?

WILLESEE: September 19, I am sorry.

PM: I was asked a question. What I am saying is that last night for the first time we got from Mr Reid the letter which was of the, I think, the 12th of October 1979, in which the full reference had been set out. I don't know whether you want me to read it. But there it was for the first time. And let me say to you that my Department informed me on a number of occasions they had sought detailed information about these sorts of contracts but they had been told by the Authority that they were documents of a personal nature. It was not until last night that we had the document put before us which set out the contractual relationship between the Authority and Dr Armstrong.

WILLESEE: Do you recall on September 19 being asked about the four months provision?

PM: No, I don't recall being asked about it. But what I am saying to you is this. That as far as the Department was concerned there had been an attempt to get all the details about the contractual relationship. They hadn't been provided because it was said they were of a personal nature. If you are faced with a situation where you are told by the Chairman directly on the phone that the requirement is to pay out six years, then what reason did I have in those circumstances not to accept what I was told. That was on the 19th of August.

WILLESEE: Prime Minister, I suppose most people are concerned about the fact that here we have massive funds being spent to what will be a very important event in our history and we have all these problems and nobody knows what is going to happen. You have now replaced the Chief Executive and the Chairman. The Chairman has just had the support of the Board by a vote and you replaced him with a man from the Board who voted for him.

PM: Well, when I rang Mr Utz last night he immediately accepted my request. He responded positively to my request to accept the chairmanship in this interim way. So I think that answers your question, doesn't it?

WILLESEE: Well, does it? He had just voted his support for Mr Reid.

PM: Well, what I am saying to you is that subsequently to that, and given the action I have taken, he immediately accepted my invitation to take the chairmanship. And that was subsequent to the vote to which you refer.

WILLESEE: Last Thursday on this program you said you supported Mr Reid.

PM: And I said on the program, and I said consistently to all the media, that I was not going to be making a judgement about Mr Reid. You will recall I have said consistently, it is substantiated time after time, and transcript after transcript, that it is not fair to Mr Reid to be making a judgement until I see him. I said I am waiting until I see him on Thursday. I waited until I saw him.

WILLESEE: Last question Prime Minister. You have got this massive bicentennial authority with massive funds, none of us have any idea what is being achieved apart from those things which would have happened anyway like roadworks and bridges.

PM: Now that is totally unfair to Mr Reid and Dr ARMstrong and everyone associated with the Authority. There are many things that are already known. Just for example, let me tell you that a couple of weeks ago in Melbourne, I opened the Australian exhibition. NOW this is a magnificent concept, funded in part by BHP, whom I have publicly thanked. This is just a magnificent concept. It is going to be a travelling exhibition, a number of pantehnicons which are going to travel all round Australia and expose to Australians in, I think, it is

PM cont: 50 to 60 locations right round the country, the story of Australia's achievements, its vision, its future. I just use that as an example. There are many other things. There are 500 community organisations established around Australia in regard to the bicentenary. I am just making a point MIKE. It isn't fair to say that a substantial of important work hasn't already been done.

WILLESEE: Prime Minister, are you satisfied that by the end of 1988 the Australian people will say well done, well spent.

PM: Yes I am Mike. And I am glad you asked that question in the end. Because while there have been problems and some legitimate criticisms that have to be dealt with, And we are making the changes which are going to improve it. The basic work has been done. Not all the basic work, but basic work has been done, upon which now with improved leadership, improved communication, and accountability that we have got to get by agreement. We can't get it under the law because the previous government brought in this legislation which set the Authority apart from the Parliament and the Government. And I believe that in discussions with Mr Utz and with the new Chief Executive when appointed we will be able to get a greater degree of accountability and reportability. Yes Mike I am certain that in 1988 we will have a great year. It will not simply be a year of celebration, but it will also be a year of the creation of permanent projects which will be a reminder to future generations of the importance of 1988.

WILLESEE: Prime Minister, thanks for your time.

PM: Thanks Mike.

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