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**E&OE TRANSCRIPT
TELEVISION INTERVIEW
PYNE & MARLES - SKY NEWS LIVE
FRIDAY, 4 AUGUST 2017**

SUBJECTS: Terrorism raids, marriage equality, trusts, US Alliance

CHRISTOPHER PYNE: Good afternoon and welcome to *Pyne & Marles* here on Sky News Live on Friday 4 August. I'm Christopher Pyne and I'm here in the Adelaide studio, and Richard is joining us from the Gold Coast where he's at the US Australia Strategic Dialogue. Good afternoon Richard, and tell us about what's going on on the Gold Coast.

RICHARD MARLES: Well, good afternoon Christopher, and welcome from the sunny Gold Coast, from the offices of the *Gold Coast Bulletin*. It's fantastic up here, I don't get up here enough. But we're here for the Australian American Leadership Dialogue, a forum that you've participated in on a number of occasions, and this is its 25th year and it really is a groundbreaker in terms of one-and-a-half-track dialogue which is the, sort of, diplomatic lingo for having a range of people, including government, but beyond government, who participate in a discussion about the relationship between Australia and the US. So there are members of Congress here, but members of American industry, American military, as of course there are members of our own military and industry, and indeed the media and a number of MPs. And we're going to meet one of those a bit later, who I'll introduce in a moment, but it's been really good up here.

PYNE: It's a very useful thing. I do the Australia Israel Strategic Dialogue, and I have for many, many years, and focused on that one as well. But I have done the Australia US Dialogue here in Australia. I mean these dialogues happen between us and many other countries, but obviously the US one is probably the most significant in terms of impact over a quarter of a century. But we should get on with the show and you should introduce the subjects.

MARLES: Indeed, indeed we should. So, this week of course more details have continued to emerge about the plot to put a bomb on an international plane leaving Australia. We're going to have a talk about the terror raids that occurred as a result of that and what's happened since. There's been whole range of discussion among Government MPs around marriage equality. This is set to become an issue in the Parliament when we return next week, so we're going to have a chat about that. And

last Sunday, Bill Shorten and Chris Bowen announced Labor's plan to reform the taxation arrangements in relation to trusts, we're going to have a chat about that. And as I mentioned, our guest today is Michael Steele. Now Michael is here as part of the American Australian Leadership Dialogue. He's a political analyst on MSNBC, but he's a former Lieutenant-Governor of Maryland, a former Chairman of the Republican National Committee, so a very senior American politician in his own right, and we're going to have a chat to Michael about the state of the relationship and politics in DC. But, let's start with the issue of the raids last week in relation to a plot to put a bomb on an aircraft leaving Australia. Take a look at this.

MALCOLM TURNBULL [CLIP]: There has been a major, joint counter-terrorism operation to disrupt a terrorist plot to bring down an airplane.

MICHAEL KEENAN [CLIP]: The plot was to put a device on a plane with the intent of bringing it down.

MICHAEL PHELAN [CLIP]: The charges that we are alleging relate to two specific events. The first related to an aborted attempt to place an IED on an Etihad flight out of Sydney on 15 July this year. Components of this IED were sent through international air cargo by the ISIL operatives through to the accused men here in Australia. The second plot relates to the building of what's called an improvised chemical dispersion device. We will allege that these individuals attempted to create an improvised chemical device that was designed to release the highly toxic, hydrogen-sulfide. There is no evidence at all that that device was completed.

MARLES: So, Christopher, national security is as significant priority of government as any issue at all and we've seen that play out over the last week. I know that you and I have both had classified briefings about what has occurred here, both in terms of what was intended by those involved in the plot to bring down the aircraft, but also the activities of our national security agencies. I guess what I'd say about all of that, and I'd be interested to hear your sense of what you got from those briefings as well, is firstly, I guess, a sense of deep concern that terrorism, like so many other things in our world today, is globalized and here was a very serious intent to act against Australia. But on the other hand, there really was a sense of comfort that we have some of the best intelligence agencies in the world, who really do work very well together, they foiled this particular incident, and when you listen to what they do in terms of their procedures, I mean these are highly professional, thorough people who obviously work very diligently to keep us safe.

PYNE: Well Richard it's another reminder, isn't it, that we can't ever let our guard down. This is the 13th disruption of a significant plot in Australia to harm innocent Australians. Our forces, whether it's the AFP, ASIO, ASIS, the Australian Signals Directorate, all working together and internationally to protect our values, here and abroad, and it's a reminder that when we read those stories about – that come sometimes from the far left – about how we're all overreacting apparently about terror, I think the most recent, bizarre remark was that it was more likely to get killed by a falling fridge in the United States than you were from a terrorism event, one of the commentators there said, but it reminds us that we really have very serious issues and this is not something that is going away. In the southern Philippines of

course, in Marawi, a city still is invested by ISIS aligned terrorists and we still have to try and defeat them in our own territory, so it's a very important issue for all of us.

But we should move on to the next issue, which is the issue around marriage equality. Let's have a look at this.

MALCOLM TURNBULL [CLIP]: Our proposition was there would be a free vote on same sex marriage in the Parliament.

WARREN ENTSCH [CLIP]: I would like to have a vote myself. I would like to vote on the floor of Parliament on this issue.

ERIC ABETZ [CLIP]: I think it is appropriate for us to explore a postal ballot.

ENTSCH [CLIP]: It will be equally as divisive, that is my concern.

BILL SHORTEN [CLIP]: This is a very expensive way to do nothing.

DEAN SMITH [CLIP]: The time is now for a Parliamentary vote on same sex marriage. Do I think that Malcolm Turnbull's leadership is at risk? No. This is not Malcolm Turnbull's test, this is a test of every member of the Parliamentary Liberal Party.

PYNE: Well, Richard, let me absolutely clear about this. The Coalition has an absolutely obvious policy, which we took to the last election, which is that we want there to be a national vote. We want every Australian to share in the decision around marriage equality, so that they feel they have been very much part of the outcome. And should there be a national vote, whether it's a compulsory attendance plebiscite or a postal plebiscite, whatever it might be, and it turns out to say yes to marriage equality, then of course there'd be a Bill presented to the Parliament and people would be allowed to vote on it. But the first step is a national vote to bring the Australian public with us. That's the policy. That's the policy that's been reaffirmed by Malcolm Turnbull, by the Cabinet and by me here today, and the only person standing in the way of that national vote is Bill Shorten and the Labor Party should be ashamed of themselves, because we could have had marriage equality by March 2017 if Bill Shorten hadn't been playing politics with this issue.

MARLES: Oh, look that is an admirable attempt at dealing with the total chaos which has been on your side of politics during the course of this week. There is nothing obvious at all about the way in which you are going about this question, and the way in which you are behaving.

If you want obvious Christopher, here's the thing: there is a Bill in front of the Parliament. If you think same-sex marriage, marriage equality should be the law of the land, let's vote for it and let's do it right now and that's our clear position. We're completely ready to go down the path of dealing with this legislation right now.

The postal ballot seems to be the new thing which has been put on the table. Malcolm Turnbull used to be against postal ballots when it came to the question of doing something in respect of the Republic, so how you are seriously contemplating

that, I have no idea. But do you feel confident, going into your party room meeting next week, that the clear policy as you've stated, as you've just articulated is going to be upheld there?

PYNE: I think the overwhelming view of the party room is to support the current policy, and I'd remind you that Bill Shorten and Nick Xenophon both supported a plebiscite, both supported a national vote, before the last election. And for base political reasons both have changed their position, particularly Bill Shorten.

But let's move on to trusts, which is your issue.

MARLES: Ok, well, on Sunday, last Sunday, both Chris Bowen and Bill Shorten announced Labor's plan to reform the taxation arrangements in relation to trusts. Have a look at this:

BILL SHORTEN [CLIP]: A Labor Government that I lead will have one defining mission, tackling inequality.

MATTHIAS CORMANN [CLIP]: He's running the poor politics of envy.

SHORTEN [CLIP]: Who is our tax system rewarding?

CORMANN [CLIP]: Shorten is hitting small business across Australia for six.

CHRIS BOWEN [CLIP]: In 1980 John Howard dealt with income splitting in discretionary trusts to children. What we're really doing is extending that fairly simple system.

CRAIG LAUNDY [CLIP]: This will not raise \$4.1 billion.

MARLES: So, dealing with the issue of tax reform to address the question of inequality in our society has been one of the enduring policy challenges that we have been stepping up to in Opposition: budget repair that's fair. Whether you look at the question of what we've done in relation to superannuation taxation, when you look at what we've done in relation to multinationals or negative gearing, this is just the next step in that process and it demonstrates that we do have a serious eye to how we repair the budget, but in a way which doesn't give rise to greater inequality but rather makes our society fairer.

Now the whole question with trusts – this is not a wholesale attack on trusts in any way, charitable trusts, farms, estates, none of those will be affected by what's being proposed here, but it really does go to the question of income splitting and I think ultimately to not support what we're doing goes to the question of whether or not you, Christopher, and your party are going to support the practice of income splitting. This is something which is absolutely done by people who are at the higher end of the socioeconomic spectrum. It's not really something which is available to those lower down the socio-economic scale, so this does make the situation fairer and it saves an awful lot of money, billions of dollars, both over the forward estimates and over the next decade.

PYNE: Well, Richard, Bill Shorten's talked about the defining characteristic of a Labor Government that he leads – a horrific thought in itself – the defining characteristic of a Labor Government that Bill Shorten might lead, is that it wants to increase taxes. Whether it's taxes on income, taxes on companies, taxes now on trusts, taxes on real estate. Every time Bill Shorten announces a new policy it has a dollar sign attached to it and it's taking more money away from hard-working Australians and delivering it into the pockets of the Labor Government, if he should ever lead such a Labor Government. And now he's doing it again on trusts. The overwhelming users of trusts are small businesses, farmers and small businesses, and I notice that Labor has already changed its policy-

MARLES: -It doesn't affect farmers.

PYNE: -already changed its policy saying it going to not affect farmers. Well nobody believes the Labor Party to start with, but what about all those small businesses in rural and regional areas that rely on farmers? Now the income of rural and regional Australia is often very seasonal, it goes up and down, some years it's good, some years it's bad. And trusts are used to smooth out those peaks and troughs, but the problem with Labor, Richard, is that you just don't get business. You don't understand how it works and you think that other people's money, whether it's superannuation or real estate or trusts or companies or individuals, is actually your money that you allow them to have, as much of them has you're prepared to let them have, when in fact you think it really does belong to the state. It's just more Corbynista rubbish that you are supporting.

MARLES: Coming from a high taxing Government that you're currently running, and you followed us on super, you followed us on multinationals. The only question here is do you support income splitting or not?

PYNE: Well, I don't believe that we're talking about income splitting, I mean that's how you're trying to define it–

MARLES: -That's exactly what we're talking about.

PYNE: You're trying to define it that way, and I mean honestly, you will get such a backlash from people across small business. Why do you hate small business so much? Why do you hate small business so much? You're trying to make them pay more company tax, you're trying to tax their trusts more, you're trying to tax their income more. As we know, the vast majority of people who use negative gearing are people on middle incomes who are trying to get ahead, so you want to tax them more. Why can't you support aspiration? Give Australians a chance to improve their lot, rather than pulling out the rug from underneath them and handing over power to the CFMEU which is what will happen if you get back into office.

MARLES: [laughs] Dear oh dear, well look with that hyperbole it is time to go to a break. Join us afterwards when we'll be talking with Michael Steele.

PYNE: You've got nothing to say! No defence!

[BREAK]

PYNE: Well, welcome back to *Pyne & Marles* here on Sky News Live. We have as our guest this afternoon a commentator on United States politics, a politician in his own right, a former Chairman of the Republican National Committee, and in fact, the Lieutenant-Governor who followed Kathleen Kennedy-Townsend in Maryland some years ago, Michael Steele. Welcome Michael to the program.

MICHAEL STEELE: It's great to be with you.

PYNE: I understand you're up there with Richard on the Gold Coast doing the strategic dialogue with the United States and Australia, which is obviously a very important dialogue, and today we have news breaking of yet another story in the Washington Post, this one involving the transcript of our Prime Minister and your President. What are we to make here in Australia of the White House, if it is the White House, being such a leaky boat?

STEELE: Well, first let me just say, it's a great pleasure to be with you, number one, and number two, I am keeping an eye on Richard because I just don't want him to get a little bit, you know, outlandish out there. So I've got my eye on him.

PYNE: He can get a bit wild. He can get a bit wild.

STEELE: He can get a little bit wild. I've already seen it. We're sitting next to each other at the conference and it's a little bit wild.

But the more important point to your question, is, yeah, that has been an ongoing issue for the Trump White House from the very beginning, that the leaks have come fast and furious and really in many respects have become weaponized, Christopher, to the extent that they're used now to either correct behaviour or to force behaviour by the Administration and of course it creates a lot of frustration for the President. The conversation between the Prime Minister of Australia and the President of the United States was very tense, very terse, a lot about Trump saying "me, me, me, me, me", you know, "this is putting me in a bad position", not really respecting the protocols and the agreements and arrangements between the United States and Australia in the prior Administration. Not that he really has to, but at least within the first few days or weeks your goal should be to try and get your head around exactly what this may mean and have the kind of dialogue with the Prime Minister that would then, a) allow you to express what your concerns are and, b) to see if you can negotiate something that's a little bit different, a little bit better, particularly given the sensibilities that you have politically at home.

MARLES: So Michael, President Trump has been described as the great disruptor in Western democratic politics, and I guess, seven months in, how do you think that's tracking? Not just in terms of President Trump's own presidency, but is he going to be a one-off or do you expect during the mid-terms, for example, that you're going to see more kind of outsider candidates like President Trump running in those elections? And what does a post-Trump era look like?

STEELE: That's an excellent question because there is some reason to believe that the President is having, well, we know that he's having an impact on the overall

political system in Washington in particular, but as we can see around the United States as a whole, that most people are exhausted. We've only been seven months into this and it feels like it's seven years. I mean it is an exhausting, continual drum beat by the Administration through tweets, through policy announcements that aren't consistent with what Cabinet Secretaries are saying, so you have this sort of disruption, he calls cleaning the swamp, that was a very important aspect of his election. But going into next year, and I know this first hand as someone who has run the national party and had a hand in building up the resources as well as the talent for 2010 when Republicans took control of the House and sort of expanded our reach in governorships et cetera, it will matter the kind of candidates you put on the ground, and I think the Administration, at least from the Trump side of it, is looking to groom more Trump-like candidates. Now whether they're going to be bomb-throwers like him remains to be seen but there will be this sense of, particularly Republican primaries, to watch to see if the President decides to take on some of those Republicans who did not stand with him, for example on healthcare, to primary them with Trump-type candidates who will make the case to the American people generally, but more specifically, to their state Senate delegations or Congressional communities, that "hey, this guy is going to stand with Donald Trump and help him complete his agenda, whereas the incumbent right now is standing in the way of the completion of that agenda". That's going to be very interesting argument to make. The President's team, Richard, is already beginning to separate itself, on the heels of the latest debacle on healthcare, from the Republican Party, wants to create that separation and I think you're going to see more of that potentially with the kind of candidates they may run in primaries next year.

PYNE: So, Michael it's obviously very important for Australia that we have a close relationship with the United States, and the Australian administration's approach to this has been to engage as much as possible, so for example, I as the Defence Industry Minister, engaging closely with Jim Mattis, the Secretary of Defense, and Julie Bishop of course with Secretary Tillerson and Marise Payne, the Minister for Defence with Jim Mattis, and so it goes right through trade, economy, et cetera, and of course our Prime Minister went to New York to be with President Trump for the Coral Sea celebrations. It's vital for us of course because we need the US to continue to have that pivot to Asia that was very much a hallmark of the Obama Administration, and given the significant issues in North Asia, whether it's North Korea and South Asia and the South China Sea, we just need to have a continual reaffirmation of that interest. Is it your sense in Washington that that very strong engagement with Australia and Asia is still very much a hallmark of the US Administration regardless of all the media hype that surrounds this Administration?

STEELE: I think by and large it is. I think in most cases some would say that the President is relatively agnostic with respect to US relations with our partners and friends like Australia and I think that was evidenced in the transcript of his conversation with the Prime Minister. That is not a tone or certainly an approach you would take with a friend in the first instance, coming out of the box. So there is some concern about that. Certainly Secretary Tillerson and others are going to be pushing the importance of the US-Australian alliance, particularly as an anchor for the Pacific region and to give the US the kind of support that it needs whether it's on trade, whether it's on military decisions, whether it's on economic decisions, to reestablish and reaffirm that partnership as much as possible. So I think irrespective of the

President, you're going to see throughout the Administration, particularly with respect to State Department, Department of Defense and maybe even Commerce and a few others, where that Alliance is going to be reinforced. It has to be. It absolutely has to be particularly given the moves that have been made recently by China, the concerns that everyone in the region have with North Korea, that Alliance is going to be so much more important, and quite honestly, tested by this President and how he approaches some of these critical issues going forward.

MARLES: So, and I guess to follow on from that Michael, I think we spend a lot of time in Australia knowing that the US is obviously our most important bilateral relationship: where do we fit in the hierarchy of American relationships with its allies around the world? I know this is your first trip to Australia, what is your sense, I guess-

STEELE: -Yeah, loving it!

MARLES: - of touching it, feeling the relationship, of where the relationship stands from a US point of view?

STEELE: Well, I think the nature of that relationship and its importance was solidified by President George W Bush - President 41 as we affectionately called him - in the creation of the Australia US Leadership Dialogue, sort of cementing in the nature of the relationship, number one, the importance going forward, regionally as well as globally, that the US and Australia share together. You are and have been standing with the US in times of conflict, in times of prosperity, in times of opportunity. Australia has been one of our closest allies, save Great Britain, and so I think that that is something that has not been taken for granted by any Administration, and I don't think it will be by this Administration because of the smart individuals like the National Security Adviser, Admiral Rogers, and the Secretary of State, Secretary of Defense, you have people who have been in this theater, who know it personally, who are inside the Administration who have the President's ear and so I think that that is going to be a very, very important feature for reaffirming and making sure that Australia knows that the US has its back as Australia has had the United States' back on many occasions.

MARLES: Well, look, thank you very much for joining us today, Michael. We're very sorry that we're out of time, we could've talked for a lot longer in relation to this. And thank you Christopher for joining me this afternoon. And join us next week on *Pyne & Marles* on Sky News at 1 o'clock. We will talk to you then

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