



**THE HON RICHARD MARLES MP
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**E&OE TRANSCRIPT
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PYNE & MARLES
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SUBJECTS: Land 400; Labor's plan for a fairer taxation system; Stephen Hawking; elections; ASEAN; sledging

CHRISTOPHER PYNE: Well, good afternoon and welcome to *Pyne & Marles* here on Sky News Live. It's Friday 16 March. South Australian election day is tomorrow and Batman, in fact, is the byelection in Melbourne tomorrow. I'm Christopher Pyne I'm here in Adelaide, and my presenter Richard Marles is in Geelong today. Good afternoon, Richard. It must be getting excited about the Batman by election.

RICHARD MARLES, SHADOW MINISTER FOR DEFENCE: Well, we do face some very big elections both state and the Batman byelection coming up and we'll be talking more about that in the program, but Christopher, you've had a big week and a big announcement of your own.

PYNE: Yes, well, we had the largest acquisition in the Army's history this week: the Combat Reconnaissance Vehicles, 225 of them, \$15.7 billion across the life of the project. Rheinmetall were the winners of the tender. They're based in Queensland, but there's about \$635 million of value and 170 jobs in Victoria, but the most important thing is it produces the capability and the safety that we need for our soldiers to make them an even more lethal fighting machine than they were before, so it's a great week for the Army,

MARLES: Rheinmetall are certainly a great company, and the Boxer, which is the reconnaissance vehicle that they are putting forward to the Army, I'm sure will be an excellent capability. It did develop into an interstate contest and I'm curious as to how that was allowed to occur, and obviously people in Queensland are happy but it won't surprise you there are some south of the Murray who are licking their wounds since the announcement has been made. You're giving me an assurance that the fact that there are a lot of marginal seats north of the Tweed had nothing to do with this decision?

PYNE: Well there are a lot of marginal seats south of the Murray as well, in Victoria, so that really had absolutely nothing to do with that and it was definitely decided on the basis of capability safety protection lethality, and as you would know as the Shadow Minister for Defence the recommendation from the Department of Defence and the Australian Defence Force is totally above any kind of suggestion of bias. We accepted their recommendation. It was only one recommendation. They didn't say it

was up to the National Security Committee to decide which bid was better. We had a very clear recommendation and we followed it.

It's good for the whole country, but more importantly we have to have our soldiers in the most safe vehicle possible and that's what we've managed to bring about. Victoria will be a big winner, as is the whole country, but in terms of state-to-state rivalry, look, it's a competition when you have tenders. States get involved, and we'll probably see more of this in the future because of the big number of marquee projects that the Turnbull Government is responsible for.

But we've got to move on. Tell us what we're doing today.

MARLES: We do need to move on, and look, the capability is obviously really important. Getting that right matters. I think it would be good to get the sort of state contest out of these procurement decisions, but no doubt it's not an easy thing to manage.

We should deal with the rest of the program. This week we have seen an announcement by Chris Bowen and Bill Shorten around Labour's new plan in respect of dividend imputation. That's been a big talking point. We're going to have a chat about that today.

This week has also very sadly seen the death of the theoretical physicist Stephen Hawking, who wrote *A Brief History of Time*, and has been, I think, a very significant cultural figure. We're going to have a chat about his life and its meaning.

As you said at the start of the show we have a couple of big elections coming up tomorrow in South Australia and in the Batman byelection. We'll talk about that as well.

Aaron Connolly is our guest today. Aaron Connolly is a research fellow at the Lowy Institute, on the East Asia desk, and we'll be talking to Aaron about the Australian-ASEAN Summit which is happening in Sydney over the weekend. This is a gathering of all the ASEAN leaders here in Australia for the first time, actually a really significant event, and we'll be talking to Aaron about its meaning.

Let's start with perhaps the big policy announcement of the week, and that was Labor's plan in respect of dividend imputation. Take a look at this.

BILL SHORTEN [CLIP]: The vast bulk of the dividend imputation scheme that we're talking about reforming goes to the top end of town.

MALCOLM TURNBULL [CLIP]: This is an attack targeted on people on lower and middle income people

CHRIS BOWEN [CLIP]: Less than 1 percent of full pensioners will be affected.

PETER DUTTON [CLIP]: You don't raise \$50-odd billion in taxes unless you're impacting on millions of Australians.

MARLES: So, back in 2001 John Howard opened up a loophole where through dividend imputation where you could not only reduce your taxable income down to

zero, but you could take it further and then have a situation where the tax office will actually write you a cheque.

Now, the overwhelming beneficiary of that loophole has been people at the wealthier end of the spectrum. The amount that's being spent on that is soon going to be larger than the amount the Commonwealth spends on public education.

Surely, Christopher, this is a loophole that is worth closing?

PYNE: Richard, you can try and explain this away any way you like as a tax loophole, but what Bill Shorten wants to do is take away people's tax refunds, their money. He wants to take it away. He's tried to say it's a 'soak the rich' tax. 5,000 people out of the 1.1 million have incomes over 180,000. 610,000 of those have incomes of under \$18,200. This hits low-income people. It hits pensioners. It's blown up in Bill Shorten's face. It looks like the beach scene from *Saving Private Ryan*, the opening 15 minutes, and there's no way that Bill Shorten is going to be able to stick with this policy. Ged Kearney's already walked away from it in the Batman byelection. The question I've got you is why did Bill do his big tax grab the week of the Batman byelection and the South Australian election?

MARLES: Well, admire your attempt that colour the beach scene in *Saving Private Ryan*-

PYNE: -It's true!

MARLES: I think it is far from it it is far from that.

PYNE: There's people stumbling around with their limbs hanging off.

MARLES: Let's take a deep breath, Christopher. This isn't going to affect the majority of people's tax returns at all. I mean, this is dealing with a specific loophole which, as I described, is where you're using dividend imputation not only to reduce your taxable income to zero, but it's that part of it where you actually get to a point where the Tax Office is writing you a cheque.

The reason we announced it is because it is good policy, and indeed if you look at those people who look at this area of policy, the endorsements of this have been overwhelming. It is a loophole which overwhelmingly favours the wealthy, and this will see the budget over the medium term recover something like \$59 billion. Now, I guess the point here is we're actually doing something around dealing with the fact that the budget is in structural deficit. You're not doing that at all. Your big economic-

PYNE: You can't talk it out, Richard. I've got to have a go.

97 percent of people affected have incomes of \$87,000 a year, so you're saying those people are super rich. You're saying they're super rich. Now that is insulting. There's no way you're going to be able to stick with this policy. You didn't do your homework. Whoever cooked it up is probably in the cellar at the moment hiding so that they can't be talked to - but we've got to move on.

Let's move on to a happier a subject that you want to talk about, which is the sad passing of a great world figure, Stephen Hawking. Let's take a look at how that played out this week.

STEPHEN HAWKING [CLIP]: At one point I thought I would see the end of physics as we know it, but now I think the wonder of discovery will continue long after I am gone. I have been enormously privileged through my work to be able to contribute to our understanding of the universe, but it would be an empty universe indeed if it were not for the people I love and who love me.

PYNE: Well, Richard, Stephen Hawking: what an amazing figure in the world that you and I have lived in. He has had an enormous impact on our understanding of the universe and how it works, how black holes operate and the radiation that comes from them, the fact that they disappear. He completely turned on its head the understanding of black holes in space and what they meant and how they behaved, and he did that, as you know, with the most incredible disabilities. So, also a marvellous role model, and we really should mark his passing this week.

MARLES: He, in terms of his contribution to theoretical physics, is a remarkable human being, and really grappled with the biggest of issues that require the biggest of brains to think about them. His thinking in the same spaces where Einstein did his work, and what was interesting that came out in that quote there is that his original thesis he postulated that there would be a theory of everything, that it would be possible to come up with a theory which connected the relationship between different types of matter, subatomic particles and their relationship with energy, but as he said in that quote when he gets to 2010 he comes to the view that in fact there may not be a theory of everything and that there is much more to discover in physics.

If you did nothing other than look at the output of his brain, this is a remarkable effort, but as you said when you look at the physical circumstances under which he's done it, through his struggle with motor neurone disease, it really is one of the most inspiring stories of our age.

PYNE: Well, Richard, I'm very impressed with your understanding of his theories because there are clearly quite complicated. The other great thing about Stephen Hawking is that he made science seem cool. He was, as you know, a character in *The Simpsons*, which brought to life science in a way that it often isn't portrayed, and was a regular attendee on *The Big Bang Theory*, on sitcoms on television, so he wasn't averse to bringing his messages to the masses, which is an important thing about science these days.

MARLES: Absolutely, and it is a real issue in science, around dealing with communication, public communication, and his book *A Brief History Of Time* was a best seller. It's not that long. It's about 200 pages. I did wade my way through it at one point in time, but as you say he had a great sense of humour and loved comedies around science, so he will be very sadly missed.

But we need to move on - tomorrow we have a couple of big elections: the South Australian election, of course, and the Batman byelection. Have a look at this.

JAY WEATHERILL [CLIP]: We are the only party going into this state election with a credible energy plan and this is the single biggest issue facing South Australians.

STEVEN MARSHALL [CLIP]: A vote for Nick Xenophon is a vote for another four years of Labor in South Australia and I'm back to be a disaster.

NICK XENOPHON [CLIP]: I'm sick of both sides. I think most people are too.

MARLES: So Christopher, when we last talked about the South Australian election you were of the view that in fact Nick Xenophon wouldn't do that well, maybe not even win his own seat. Do you still hold to that position?

PYNE: Well, I do actually, Richard. I think that the Xenophon team has performed well below expectations. The hype hasn't matched the public reaction. People have looked at the Xenophon team and thought there's a big difference in voting in the upper house for a maverick and voting in the lower house where government's actually formed. His candidates are unknown. He's got no policies, got no costings. He's still promising one last stunt and I think he's in real trouble.

Of course, that was funny, hearing Jay Weatherill talking about energy as the most important issue facing South Australia, when of course he is the person who created the problem in the first place by saying that he would use South Australia as an energy experiment and then having totally blown up the show is now pretending that he somehow has the answers to fix it.

Of course, tomorrow you'll win the Batman byelection pretty easily, I would have thought. It's a safe Labor seat. Bill Shorten might have might have taken you a bit off course this week with his great big tax, but you still will win the Batman byelection tomorrow.

MARLES: Well, we'll talk about Batman, but just in relation to South Australia, Jay Weatherill has done something in relation to energy, and the Tesla battery, I think, is seen as a big success in South Australia and he is obviously the figure of choice in terms of Stephen Marshall, Nick Xenophon, and himself. The hardest thing for Jay Weatherill is that he leads a government which has been in power a long time, but I think Jay is the most stable alternative for South Australians. There's no doubt about that.

Batman is hard. Make no mistake. I know you wanted to try and manage expectations here and suggest we're going to win it easily. The reality is it was a marginal seat against the Greens at the last federal election. Demographic changes have made Batman harder. When you've seen Labor-held seats become wealthier, that is where you see Greens get their biggest vote and that's the story in Batman.

That said, we've got a great candidate and Ged Kearney. We've got a really good story to tell around health and education-

PYNE: -Got it in the bag.

MARLES: Well I don't think we've got it in the bag, but we're certainly not going to die wondering and we're giving it our absolute best crack, so we will see what happens.

We need to go to a break. Join us afterwards when we'll be having a chat with Aaron Connelly.

[AD BREAK]

PYNE: Well welcome back to *Pyne & Marles* here on Sky News Live. This week has seen the first Australia-ASEAN Summit to be held in Australia. The first one of its kind were held in Vientiane in 2016, and this is the follow-up meeting, the first of its kind here in Australia. It's an important summit and our guest this afternoon is from the Lowy Institute. He's on the East Asia program there. His name is Aaron Connelly. Welcome to the show, Aaron. Thanks very much for joining us.

AARON CONNELLY: Thanks, Minister.

PYNE: So, Aaron, tell us why ASEAN is still an important institution in Southeast Asia.

CONNELLY: ASEAN actually has a few accomplishments to his name that don't often get enough credit. Going back to the '80s ASEAN played a huge role in resolving the Cambodian crisis, along with Gareth Evans, but also just as recently as 2012 war almost broke out on the Thai-Cambodian border, and Indonesia, which was the chair of ASEAN that year sent Marty Natalegawa, the foreign minister, up to Phnom Penh and Bangkok to conduct shuttle diplomacy, and there is a good record on this.

There have been no conflicts that have broken out between ASEAN countries since these countries have actually joined ASEAN, so they expanded pretty dramatically in the '90s to include all of mainland South East Asia. That's a bit of an accomplishment. It doesn't get enough credit.

These guys, the leaders who are in town, they see each other all the time and it builds a little bit of a repore, it builds a relationship that they can use down the line should there be a crisis.

MARLES: So that is actually a good point to make because often I think ASEAN in recent times has been given a poor wrap, but it's a really big deal it seems to me that all these leaders are now meeting here in Australia under the Australian-ASEAN Summit. To what extent do you think the summit enables Australia to build its relationship with South East Asia and perhaps to project ourselves more in an activist sense within South East Asia?

CONNELLY: The fact that the Summit is happening here in Sydney as a big diplomatic coup for DFAT, for the Australian Government. It's not something that ASEAN does with every country. They do them with the great powers, with the US, with China, Japan. and they were actually just in India for a Republic Day in January. But it's actually quite unusual and it's the first time that ASEAN has done it with a middle power. So, it speaks to the appreciation for the level of engagement that Australia regularly demonstrates in South East Asia. Otherwise you wouldn't have 9 of the 10 leaders coming to Sydney, or some of them already here.

PYNE: Aaron, I was in Singapore in January and I'm off to Malaysia in April and there is, as you say, a lot more engagement between Australia and the ASEAN

nations in recent times, and of course this is a very big feather in the cap of the Turnbull Government, and the focus of this ASEAN Summit is digital trade, so how do you see the outcomes of this summit? What would you expect to be an outcome from bringing the ASEAN leaders together in Australia, on the subject particularly of digitization of trade?

CONNELLY: Some of the low-hanging fruit has already been picked here. There's already an ASEAN-New Zealand-Australia Free Trade Agreement, so there's going to be no FTA to come out of a summit like this, but I think the Government's been smart in trying to bring business together. The fact is Australian business could be doing a lot more in South East Asia. There's tends to be a reluctance on the part of boards to invest in countries where there is a lot of political risk or partner risk, and so resolving some of those issues or getting past the getting-to-know-you phase to try and resolve some of those issues down the line, that's important, and putting Australian businesses and South East Asian businesses in the same room is the first step. There is not going to be a lot of trade liberalisation going on in South East Asia outside of the TPP for the time being. Most South East Asian countries are in a really protectionist mood. They're going through a lot of the same populist dynamics that Europe and the US are going through, so it's going to be difficult to make progress beyond that.

MARLES: I'd agree with you, in that I think this is an achievement of the Turnbull Government to have this Summit held in Australia, but I actually think during the period of perhaps the Howard Government and under Tony Abbott relationships with South East Asia probably went backwards. The high point of our relationship with South East Asia, what we did with Gareth Evans in Cambodia, the Australia Indonesia security agreement back in 1995 under Paul Keating, in a sense spoke to me about the role that we should be playing in South East Asia. Do you think we are playing big enough in South East Asia today?

CONNELLY: I think I got most of that. Sorry, I'm having a little bit of trouble hearing.

You know, when the Cambodian solution was proposed that was a different time in world politics. A lot of the things that made the Cambodian solution possible, without denigrating the real role that Australia and ASEAN played at that time, it was great power politics. It was sign of a Soviet rapprochement. It was the end of the Cold War, and without those dynamics I'm not sure we would have had a Cambodian solution anyway, so progress is much more difficult now.

I think we do need more high-level engagement in South East Asia from the Government. It's great that Prime Minister Turnbull has really put himself personally behind this agenda, but I think we need a very engaged foreign minister on South East Asia and there's probably more that we can do there.

PYNE: Of course these countries in South East Asia change quite amazingly over time. The Thailand of the mid-1990s is not the Thailand of today. Vietnam 20 years ago is a very different country today, and so therefore our relationship with South East Asia changes. How do you think these countries in South East Asia see Australia's role in their part of the world, as opposed to us seeing our role in their part of the world? How do they see us?

CONNELLY: You know, it's interesting. I actually think we're in a relatively good place. These are 10 really different countries, and they're very different in many ways from Australia. You're never going to see eye-to-eye completely, and probably the closest relationship between any South East Asian country and Australia is with Singapore at the moment, and yet we also have issues in Singapore. Singapore is not a full democracy. It has elections but it's not a liberal democracy. So there's going to be limits to the relationship in any situation, but I think actually most South East Asian governments see Australia in a really positive light. They see this as a place that has really high standards of governance that they admire, and in many cases aspire to, and they see it as a country that has a very low-key, pragmatic, long-term approach to diplomacy in the region, and when they look at the US, which has been less than steady on its South East Asian diplomacy over the last 10 years it's, something that they actually really appreciate.

MARLES: Well, Aaron, thank you for coming along today. We're really glad we've had the opportunity to speak with you and speak about this really important event over the weekend, so thanks for helping shed some light on its significance.

CONNELLY: Great to talk with both of you.

MARLES: And that brings us to the question of the week, which has been inspired by the Australian cricket tour of South Africa at the moment and the controversy around sledging, so our question is: is sledging a legitimate part of the game of cricket? Christopher, what's your view?

PYNE: Well, Richard, I just think this South African tour has gone quite off the rails. I've been watching this debate about sledging with increasing shock because I actually saw Cricket Australia saying last week that sledging was very much part of the game. I'm absolutely aghast that we would be saying to our children, whether it's cricket or football or women's football or soccer or hockey, you know just play the ball not the man or the woman or the boy or the girl, that people get penalties for insulting and offensive behaviour in children's cricket, whether it's school or club sport, and yet Cricket Australia or some of our players, some of our former players are saying, 'no, no get over it, sledging is fine'.

Why can't the cricketers just let the cricket do the talking? Why can't they just let the scoreboard tell the story rather than engaging in this really puerile, personally insulting behavior, and I think that goes for all the cricketers - not just Australians. It goes for all cricketers around the world. That is really not a legitimate part of the game.

MARLES: Well, look I completely agree with you and sadly when the issue of sledging in international cricket comes up it always seems to be Australia which is part of that conversation. I don't think we have a particularly good reputation in this regard.

But listen, if that's the view, and I agree with it, what does that then say about the way in which we deal with Question Time?

PYNE: Well I think that banter and humour and ribbing your opponents - which I do quite a bit of in Question Time, I've even been known to poke fun at you sometimes, Richard, and you poke fun at me back - there's a big difference between using

humor to make a point and personally insulting people in your workplace. It's not tolerated in the workplace. I don't know why it's being tolerated in international cricket.

MARLES: We've run out of time, but that is a really interesting question for us to look at because, sure, I think banter's OK, but I reckon we might need to have a look at our own culture as we heap the criticism on Cricket Australia. Anyway, we've run out of time. Great to talk with you again, Christopher. We look forward to speaking with you, viewers, again next week at 1 o'clock on Sky News on *Pyne & Marles*. We'll see you then.

ENDS