



**THE HON RICHARD MARLES MP
SHADOW MINISTER FOR DEFENCE
MEMBER FOR CORIO**

**E&OE TRANSCRIPT
SKY NEWS LIVE
PYNE AND MARLES
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SUBJECTS: Geelong; Budget; by-elections; live sheep exports; Malaysia; North Korea; royal wedding

CHRISTOPHER PYNE: Good afternoon and welcome to *Pyne & Marles* here on Sky News Live. It's Friday, 18 May. I'm Christopher Pyne and I'm here in Melbourne with my co-presenter Richard Marles. We're having a bit of a treat today, Richard. We're in the same studio.

RICHARD MARLES: It is a treat sitting next to you. What are you doing? Why are you here?

PYNE: I was in your electorate.

MARLES: But you didn't get a visa. How did that work?

PYNE: Well I was actually welcomed with open arms.

MARLES: I'm sure you were not.

PYNE: People were hanging leis around my neck, saying "Thank God you are here-

MARLES: I doubt that.

PYNE: -save us from Richard Marles". I boosted you as best I could, but it's bloody hard work.

MARLES: Your presence there would have helped me in no end. So who did you actually see?

PYNE: I was doing defence industry-related visits to a place called Fibertech-

MARLES: -Indeed, I know Fibretech

PYNE: -which are a fantastic small Australian company trying to break into the defence industry. They've got a tremendous product around rigging and ropes and

things that carry helicopters and tanks. I mean it's amazing stuff – all made from fibre, through placed chains that we used to use in the ADF. It's quite transformative. At the moment, we get all of that overseas. If Fibertech what they're making work. We can source it all from Australia.

MARLES: All good. It does speak to defence industry and how important it can be for the economy. From a Geelong point of view, and in some ways it is quite similar to South Australia, we've experienced some loss of industry Alcoa forward, and I think defence industry can play a role and Fibertech is a good example.

PYNE: Absolutely. Of course, Marand, which is in Geelong-

MARLES: -In the old Ford factory, actually.

PYNE: Exactly, as well as in South Eastern Melbourne, they were an automobile company. They've transferred across to defence industry. They've got a billion dollars in their books in the next 10 years working on the Joint Strike Fighter program, all of which is exports. None of this would be happening we weren't investing in defence industry and defence.

MARLES: So they make the trolley, which holds the engine of the Joint Strike Fighter. When I heard that, I thought, "Oh, that doesn't sound a particularly sexy part of the whole Joint Fighter program" - until I saw the trolley, and in the world of trolleys these are the sexiest trolleys going around. This is a very sophisticated piece of-

PYNE: -This isn't a trolley-dolly, that's for sure. They also make the vertical fins, by the way.

MARLES: Yeah they do. They don't do that in Geelong, but-

PYNE: -They do that in South East Melbourne. So, it's been an exciting day.

MARLES: Well that's good. It's always good to have you in Geelong, sort of.

PYNE: Can't wait to get rid of me.

MARLES: It is always a bit disconcerting.

We do need to go on with the show. So, this week has seen competing Budget roadshows after the Budget of last week. We're going to have a chat about that. Of course, by-elections are a huge part of this week's political narrative, and it's going to be for the next couple of months so we're going to be talking about that. And the live sheep export trade, the Government had a review into this and its findings came out yesterday. We're going to be talking about that as well. Our guest today is Greg Sheridan. There is so much going on in the world today, like the extraordinary events in Malaysia, to whatever is going to play out in the Korean Peninsula. We're going to have a chat with Greg about that.

Let's start with the Budget. There had been – both sides of politics had been out selling their respective Budget positions. Have a look at this.

CHRIS BOWEN [CLIP]: *Australia needs bigger surpluses, faster than the Government is scheduling them. Labor will go to the next election, achieving budget balance, the same year as the Government, delivering bigger accumulative surpluses over budget estimates, substantially bigger surpluses over the ten-year term.*

SCOTT MORRISON [CLIP]: *When Bill Shorten says to you “We’re going to provide this extra relief by cracking down on the big companies”, that’s not true. They’re cracking down on nonna, nana and yia yia.*

MARLES: So Christopher, what we saw with Chris Bowen’s speech at the Press Club was an opposition that is serious about tackling the issue of debt and deficit, the fact that our budget is in structural deficit. We need to deal with that. You’ve basically given up on that. It’s 2018 and you’re running away with your hands in the air, saying “We can’t do anything about this”.

PYNE: I think it’s great that you can say that with a straight face. I absolutely give you 10 out of 10 for saying that with a straight face. Being lectured by the Labor Party-

MARLES: -That’s the only line that you have.

PYNE: Labor last delivered a surplus in 1989. You were probably still at Geelong Grammar.

MARLES: Well, I wasn’t.

PYNE: 1989 was when you last delivered a surplus, and your budget pitch is this: “we’re going to give you more income tax cuts, we’re going to spend more, and we’re going have a surplus”. Now everyone knows that that is not possible. You can’t take revenue into your household budget, spend more and also reduce your credit card.

MARLES: But you know what we’re doing with negative gearing, and you’re not following us on that.

PYNE: What about the seniors?

MARLES: But that implies that you do acknowledge that we are doing something in terms of tax reform.

PYNE: You’ve got \$22 billion of new taxes. I’m really looking forward to the next election. Bill has a twin tee problem. He’s got a trust deficit, and he’s got \$22 billion of new taxes, which is hard to say.

MARLES: But Christopher, you acknowledge that. Doesn’t that then mean that you can see why we’re able to go forward and say we’re doing something about budget repair.

PYNE: But the problem is that nobody believes you. Nobody believes that you can deliver a surplus because you haven't since 1989, before I got elected into Parliament.

MARLES: But see, here's your problem. You're going to ask for believability on half the equation, that we are doing all these tax reforms, which you've asserted right then, but you're going to then say to the Australian people that they won't amount to any debt and deficit, which will not happen.

PYNE: We're happy to go to an election over a fight about the economy and tax. That is our – we're very happy with that, because the Australian public know, what happens is: Labor gets in, spends all the money, mismanages the Budget, creates massive deficits. We get in, the Howard government, now the Abbott-Turnbull Government, and we fix the problem.

MARLES: But you've doubled the debt.

PYNE: We're bringing back surplus a year early. We're coming back into surplus in 2019-20, a year earlier than promised.

MARLES: In 2013, you're driving around a debt truck. I mean the debt ,you're-

PYNE: -You're lecturing to us about debt.

MARLES: Absolutely. You've been run over by your own debt truck.

PYNE: You gave away \$16,900 cheques to dead people. That was quite an achievement. Out of horses, canaries-

MARLES: -There was a global economic crisis. Only one of two economies which gets through it in the developed world without getting into recession. I think there's an achievement in that.

PYNE: That's still a large amount of money.

MARLES: You've doubled the debt, you've doubled the debt. On the one hand you're going to be saying we're taxing too much, which is about getting revenue to fix the budget bottom line. On the other you're going to be saying that doesn't add up.

PYNE: Well good luck with your line about Labor being a better economic manager than the Coalition.

MARLES: We always have been.

PYNE: We made over a million jobs yesterday. Over a million jobs since were elected. A million new jobs.

MARLES: The broader economy is a little different than it was.

PYNE: It has nothing to do with being good management - all good luck, I suppose.

MARLES: Well, actually that's exactly right.

PYNE: Oh rubbish, nonsense. We've got to move on.

We have to talk about the by-elections; Bill's by-elections coming up. Let's have a look at how it all unfolded in the last week.

MALCOLM TURNBULL [CLIP]: *The people of Longman are going to have a choice soon in the by-election. They'll have the opportunity to cast their judgement on the rolled gold guarantees that Bill Shorten has given.*

BILL SHORTEN [CLIP]: *I think it's amazing, I don't know about the West Australian media, that they're not even fronting up in two by-elections in Western Australia. I mean, of course I want Labor to win them, but the fact that Mr Turnbull has already given up on running against Patrick Ullman speaks volumes.*

PYNE: Well Richard, Bill Shorten has caused these by-elections to happen because of his mismanagement of the citizenship issue. Haven't his chickens come home to roost because he didn't taken responsibility last year?

MARLES: That's ridiculous. Are you saying you caused Bennelong? Are you saying you caused New England?

PYNE: John Alexander resigned and caused a by-election.

MARLES: Well by-elections could have been avoided-

PYNE: -It is now May. These by-elections aren't going to happen until June, July because we have to work out the citizenship. If Bill had taken responsibility last year, this would have all been dealt with by Christmas.

MARLES: That is just ridiculous. We were saying that we needed an audit of all the MPs in Parliament. We were the ones promoting that. You know, that's led where it's led-

PYNE: -Four MPs found to being in breach of the Constitution.

MARLES: Well I think also what it led to is a pretty different and stricter interpretation of the Constitution of the High Court. In any event, we've got those by-elections, but you're not running in Western Australia.

PYNE: Even when we got the 57% of the two party preferred vote in Western Australia, we still didn't win Fremantle in Perth.

MARLES: Perth is a 3% seat.

PYNE: On the new boundaries. On the new boundaries that seat would be 6%.

MARLES: There are a whole lot of Liberal voters out there who presumably expect to-

PYNE: -Why are you so keen for us to run in these by-elections in Western Australia?

MARLES: It says a lot about the character of the party: scaredy-cats.

PYNE: I think we all know that Bill easily will win those by-elections across Australia.

MARLES: Well that's not right.

PYNE: Well the government hasn't won a by-election in opposition since 1920, since Billy Hughes was Prime Minister.

MARLES: Surely you're going to accept that Braddon and Longman are going to be a fight.

PYNE: No. The truth is, we'll put a good as effort as we can, but Bill should get about a 5% swing towards the Labor Party in these by-elections.

MARLES: That's great expectation management-

PYNE: -I think if you don't get them, Anthony Albanese will be on the move.

MARLES: Yeah, nice try. At the end of the day, what we learn from WA is that you're not going to run unless you think you've a chance, and you are definitely running in Braddon and Longman.

PYNE: Well we are running in Braddon and Longman, and of course Mayo. Fremantle and Perth are safe Labor seats. Now the Greens and you can fight it out on Fremantle and Perth, we'll take on the three other seats.

MARLES: Yeah, well presumably you win easily in Mayo.

PYNE: No, not at all. Rebekha Sharkie – why would people suddenly vote against her? We'll give it a good go. Georgina Downer would be a much better candidate-better member in the government. Then again, it is very difficult for governments to win by-elections. If we win Mayo, that'll be an amazing achievement.

MARLES: That's expectation management all over, there, Christopher.

Our final topic before the break is the long-running issue around live exports, which has had a whole lot of difficulty associated with it. Have a look at this

DAVID LITTLEPROUD [CLIP]: *There is a world demand for live exports. We have a responsibility to stay to make it right.*

ACTIVIST [CLIP]: *Nothing the Minister has said tonight changes the inherent suffering that has appalled Australians.*

LITTLEPROUD [CLIP]: *If I pursue the culture with a regulator and penalties, and get the industry themselves on this journey, we'll eradicate that.*

BILL SHORTEN [CLIP]: *In the long term, we can't see this as viable or sustainable because cruelty seems to be part of its business model.*

[Clip ends]

MARLES: So, Christopher, we all acknowledge that this is a really difficult issue. I mean there are obvious serious animal welfare issues here. We're also talking about peoples livelihoods so it needs to be managed carefully. But at the end of the day, and I acknowledge that there are reforms that have been suggested in the review that has been handed down by the Government, but at the end of the day the trade into the Northern summer just cannot be reconciled with an appropriate animal outcome.

PYNE: So what we've done yesterday is announced a reduction in the number of sheep you can have berthed on these vessels. We're going to have inspectors in every vessel going to the Middle East, increase the penalties in fines. Mr McCarthy, the vet who did the report for the David Littleproud and the Government., he's created a new heat stress model, which he thinks needs to be tested and needs more work done on it. If at the end of the day, the northern summer becomes unviable because we're trying to protect the sheep and treat it humanely. Well that will be an outcome as a consequence of the market. If he put the regulations in place, the good regulations, to make sure sheep are treated humanely, it's up to the market – people buying and people selling, becoming to a price that makes it viable. We need to put the treatment of the sheep as a priority, which we've done. I'm very pleased about that. In the northern summer that's going to be harder. That's why the industry itself will have to transition a bit and take out-

MARLES: -So, we do feel that the northern summer trade is irreconcilable with an appropriate animal welfare outcome. Let me ask you this: in 10 years, over the longer term, do you think this is an industry which has a future in Australia?

PYNE: I think you do think so. You can treat the sheep or the cattle humanely, which is one of the reasons why we're going to improve the ships themselves, and change the ventilation of the ships into the future, then it'll be a great industry for Australia, and if we don't do it, other countries will do it. We just have to get the regulations right to make it humane.

MARLES: We're not too sure about that in terms of live sheep exports. You do need to bring about change, but a long term future for this industry is pretty problematic.

PYNE: Mr McCarthy said we could do the northern summer trade, but with stringent summer conditions, whether it'll be viable or not, it'll be for the industry to find out.

MARLES: We've run out of time for this half of the program. Join us afterwards when we'll be talking with Greg Sheridan.

[AD BREAK]

PYNE: Welcome back to *Pyne & Marles* here on Sky News Live. In the second half of the show we're very fortunate to have as our guest an expert on foreign policy, particularly in Asia, a person who's written a number of books about Asian politics

and foreign policy, which I have to say I've read. He's Greg Sheridan, who is the foreign editor of *The Australian* newspaper. Welcome to the show.

GREG SHERIDAN: Great to be with my two favourite politicians.

MARLES: Flattery will get you everywhere.

PYNE: So Greg there's a lot happening in Asia right now, North Korea, Donald Trump and Kim Jong-un, Mahathir Mohammed being re-elected in Malaysia, an extraordinary result which you wrote a column about last week, the rise of terrorism again in Indonesia which is very concerning, separatist again groups in Mindanao associating themselves with ISIL, India seeing itself as a significant military and economy power now and into the future, Steve Ciobo giving an important speech in Beijing overnight about the relationship between our two countries. It seems that a lot of world attention is now focused on our part of the world in a way that perhaps hasn't been for most of our lifetimes. Is this the new norm because of the rise of countries like China and India?

SHERIDAN: Absolutely Christopher, I mean we're in a post Christopher Columbus age now. The centre of economic gravity in the world has shifted to Asia, we used to say East Asia but now with India I think it's right to call it the Indo-Pacific. And that's where the submarines are, that's where the power is, that's where the money is, that's where the future is.

MARLES: So Greg, I want to ask you about Malaysia, because it's an extraordinary set of circumstances. We're all taken with the idea of a 92-year-old Prime Minister.

PYNE: John Howard's particularly excited.

MARLES: It has opened the door for Keating and all sorts of people to come back. The Democratic Action Party, which is the party he now leads, is in theory a multiracial party, which is a bit of a departure from the way in which politics has been practised in Malaysia since its independence. Does that really, do you think, change the character of that country going forward?

SHERIDAN: He leads a multi-racial coalition, the DAP is one of the parties in the coalition, it's not his own party. I go to confess, I love the Doc, he is the best fun of any politician I have ever known and you know, I'll make a confession on your program: when I was wooing my beloved 25 years ago, who is Malaysian, I had to keep finding excuses to go back there and interviewing the Doc was the big excuse. He always gave me interviews.

MARLES: Okay, how many times have you interviewed him?

SHERIDAN: I interviewed him every few months in the 1990s. He and I were best buddies. He used to say terrible things, but he'd say them very nicely.

MARLES: So can I ask, he went to Sydney Uni, have I got that right?

SHERIDAN: No, no, no. The story is that he went to a university, I think in Singapore, the story is that he was invited on the equivalent of a special visitors

program to Australia, and not the Defence department, but foreign affairs, pulled the funding at the last minute and he never forgave us.

PYNE: That hasn't impacted on his relationship

MARLES: But has it?

SHERIDAN: Unlike the people in this room he is known to hold a grudge, but having said that he was the most complex, fascinating, dynamic and protean political I ever met. He was a great nation builder. He did do and say some weird things towards the end of his previous prime ministership, but you've got to say that he created a middle-class Malaysia.

One of the reasons his coalition did well this time was people longed for the old days of Mahathir: high economic growth, a government you could respect. The other thing is on election night it was very dramatic, who was the king going to appoint as prime minister, and having a figure of his stature, but for him and Anwar to be together it would be not like Keating and Hawke, it would be like Keating and Howard running a Coalition.

PYNE: So before we leave Malaysia, what do you think it means for the Australia-Malaysia relationship to have Mahathir rather than Najib in power?

GREG SHERIDAN: Najib was a very good friend of Australia and he wasn't a ridiculous prime minister, but the corruption allegations against him were so enormous that they made Malaysians ashamed and embarrassed and angry. Now I think we've got to treat to Doc a bit carefully and I think the government and the opposition have made very sensible statements about it. Both the Doc and Anwar are big figures of history.

If they come back into ASEAN that changes the leadership dynamic within ASEAN. Now they'll have other priorities that relations with us, but I think the other thing is the future of Malaysian democracy, this is a very helpful moment, but nothing is guaranteed. The tensions between Islamist elements with the Malays, ultra-liberal elements within the Chinese, these haven't exactly gone away, but it's a very encouraging moment. We want to be a friend and continue to develop our trade and cultural links and all the rest of it.

PYNE: From a defence point of view of course, Butterworth is very important to us in Malaysia and that is at a point where it needs to be ensured that it will remain there and that Australia will have significant presence there into the future, so I was only just there in Malaysia, of course, talking about this very thing to Najib and now I think we'll have to go back there.

GREG SHERIDAN: When Mahathir and Keating were having their great spat, Najib was the Defence Minister and I remember saying to him 'if these prime ministers keep brawling it could affect the five power defence arrangement', Najib said to me 'no, no, this is just politics'.

MARLES: It matters, it matters to them. Okay, so we should talk about Korea as well, because this is being billed as the summit of the century. Is it going to happen?

SHERIDAN: I think probably it will. I've always been pessimistic that the North Koreans will give up their nuclear weapons. I mean, the world has taught them what happens to you if you give up your nuclear weapons: you end up like Colonel Gadhafi or you end up like Saddam Hussein.

MARLES: They still have a lot of deterrent though. I mean, when you look at the arsenal which overlooks Seoul, they would still have quite a lot of deterrent in place even without nuclear weapons.

SHERIDAN: That is true, that is certainly true, and they'd have more deterrent than Libya or Iraq or Ukraine had. Nonetheless I think— I mean, the sad thing is we've seen this game so many times before, but I'm not critical of Trump, this is right, it's right for us to push forward with negotiations and test them and see if we can get a deal.

MARLES: So I found this all very confusing and I'm trying to be optimistic about it but to play the devil's advocate. Surely there is some kind of risk about putting the President of the United States in the same room as a guy who has been a dictator and done appalling things to his population. Don't we create an unreasonable equivalence there?

SHERIDAN: Look, that's a fair point Richard, but I think it's a risk worth taking. Bill Clinton was going to go to North Korea. I'm a bit worried that Trump himself might be embarrassed if this process falls over too early and that that could increase the pressure on Trump to strong military action against North Korea. I think the North Koreans are generally sophisticated enough to play this out for a few years. What they want is concessions in exchange for negotiations. Now, Trump has said he won't give them any concessions until they are actually giving up their nuclear weapons. I think that's the right road.

PYNE: The status quo wasn't really an option either. I think Trump has turned the table and he's so unorthodox that even if it doesn't go to perfection as everybody would hope it would, he'll still declare some kind of victory because the fact that he's even got Kim Jong-Un-

SHERIDAN: -Wouldn't you love to be in the room? Wouldn't that be fun?

MARLES: It would be astonishing. We could've started with you, in terms of this show. We've done very well, Greg, but we've run out of time.

SHERIDAN: In return could you just tell me who's going to get the Frigate contract?

MARLES: That's a question for Christopher.

SHERIDAN: The Spanish, the British or the Italians?

PYNE: You'll just have to wait a bit longer for that, but whoever gets it it's going to be built in Australia, with Australia steel, with Australian workers, unlike if Labor had been in power.

MARLES: Other than that last point it's good to hear it's going to be built in Australia. We need to do the question of the week, and Greg you're going to join us in this question of the week, and the question of the week is obviously inspired by what's going to happen on Saturday night our time and that is the royal wedding, so the question is: 'what would be the best wedding gift to give Meghan and Harry?'

Now I was offering a suggestion which I think ought to be the Australian gift of choice because it reflects what we give each other when we go to an event, go to a barbeque, and that is a bottle of wine, so maybe a Bannockburn red from my-

PYNE: -Or a Penfolds Grange-

MARLES: Or a Penfolds Grange from your region. I actually think that's what we should always give as an Australian gift. Greg what do you think?

SHERIDAN: I think what the royal couple plainly need on their honeymoon is some very good reading, so I would give them a copy of Christopher's book.

PYNE: *A Letter to my Children.*

SHERIDAN: I'd give them a copy of a memoir written by a panellist here who will remain anonymous, and in the absence of a Marles book I'd give them a volume of collected speeches-

PYNE: Ancient Values, Western Dreams.

SHERIDAN: God bless you Christopher.

MARLES: Christopher, what are you going with?

PYNE: I remember. I think they need privacy.

MARLES: Please.

PYNE: Give them privacy.

SHERIDAN: What a Jesuit answer.

PYNE: I think South Australians are a bit more sophisticated than the average.

MARLES: Dear oh dear. Alright, well that brings us to the end of the program. Thank you for joining us. It's been a pleasure talking to you, Christopher, pleasure talking to you as well Greg. We will join you next week on Sky News for *Pyne & Marles* at one o'clock. We'll see you then.

ENDS

Authorised by Noah Carroll ALP Canberra