

**THE HON RICHARD MARLES MP
SHADOW MINISTER FOR DEFENCE
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**E&OE TRANSCRIPT
SKY NEWS LIVE
PYNE & MARLES
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SUBJECTS: Future Frigates, Company Tax Cuts, Senate Stalemate, July 1st 2018 Penalty rate cuts, Drones, Australian Defence Force, Defence Industry, Shipbuilding program.

CHRISTOPHER PYNE: Well good afternoon and welcome to Sky News live at the Pyne and Marles program. It's 1:00 o'clock Eastern Standard Time and it's Friday the 29th of June. I'm in Adelaide and my co-present Richard Marles is in Sydney. Good afternoon to you Richard.

RICHARD MARLES: Good afternoon to you Christopher and you've obviously had a very big morning indeed down at Osborne in Adelaide, tell us about it.

PYNE: Well I've had a great morning we'll get to your morning a bit later but my morning has been a great success. We've announced today that BAE will build the nine future frigates that Hunter class is they're going to be called the first one to be called the Flinders. The second one will be called the Hunter and the whole class will be called the Hunter class. So nine frigates, thirty five billion dollars, It's a huge project it's one of the biggest of its kind in the world and it will give the Australian Navy an anti-submarine warfare capability that is second to none in the world. These ASW ships are the predators of the sea. They hunt and kill submarines and this is going to be a very important capability for the Navy and importantly built in Australia, with Australian steel, Australian shipbuilders in an Australian shipyard ASC shipbuilding Co will build them and that will be a subsidiary of BAE. So it's a great day for Australia, South Australia and for the Navy.

MARLES: So this is very much a bipartisan position and next to the subs this is the second biggest procurement that's going on at the moment and there's been a lot of contest and conjecture and no doubt you've no doubt you've been at the center of it Christopher so there must be some sense of relief in actually announcing a winner in terms of BAE. I think actually, and you don't do it for these reasons but, I think a dividend in this is actually what it will mean for the bilateral relationship between us and the UK. It was of course a program

initiated under the former Labor government back in 2009 which no doubt you will acknowledge in all the comments you make today, that is the truth of it. But I want to ask you this question, where does Australian design capability fit in to all of this. Is that going to be a part of the announcement that you've made today?

PYNE: Absolutely and you're right it is a great relief to finally get the announcement out there it is on schedule I said we'd do it mid-year and it's June and so we're in mid-year which is good that gives us enough time to get the project underway and cut steel as they say in 2020 and the first ship will start being constructed in 2022. There'll be a lot of design capability being built here in Australia and of course BAE will be using ASC shipbuilding which is just finishing right now the air warfare destroyers and there's design capability in Australia in companies like Austral for example as well –

MARLES: So will Austal be a part of it?

PYNE: Well Austal will need to negotiate and be a subcontractor to ASC shipbuilding and of course that they'll do that on commercial terms. But there's a lot of work to be done right around Australia. BAE has already accredited or prequalified 500 businesses spread right around Australia, 80 in Western Australia alone 160 in your state 100 in South Australia. So there'll be a lot of work for a lot of different people but we should move on it's a great subject I'd love to talk about it a bit more but we can talk about it later in the show. You should tell anyone else what we're talking about.

MARLES: We will get on to that, I would just say I would have preferred if we had seen a mandating of an Australian design capability in this and as you mentioned Austal has that capability but no doubt that will all play out and we will watch –

PYNE: Austal hasn't designed ship like this before, they've got capabilities but they've never designed an antisubmarine warfare frigate and that's why BAE won the contract and Fincantieri and Navantia were the other bidders but Austal never bid for it because they don't have that capability. But hopefully they can develop it and be part of the subcontract for that work, but that will be up to ASC shipbuilding.

MARLES: Sure but how you adapt this to the Australian conditions and how it becomes a specifically Australian ship will have design as part of it and Austal would have the capability to do that. But we will watch and see how that plays out over the coming months, it's an important aspect of this. But look let's get on with the rest of the show it has been a very big week as you've been watching Sky Over the last hour you will have seen that Labor has just made an announcement in terms of its position in relation to the company tax. We'll be talking about that. We have seen a stalemate in the Senate over the course of the week around legislating the next wave of the government's company tax break and we will be talking about that as well and on Sunday we see the

second round of cuts in relation to penalty rates come into force so we'll be talking about that as well. Our guest is Kate Lewis. Kate runs the defence and industry policy group at AIG and we'll be talking to her about all the issues in relation to the defence industry space and starting of course with the frigate announcement. But let's start with what we've seen this morning. Labor has announced that we will be supporting the company tax cut for small businesses up to a threshold of \$50 million dollars. That's where the state of the law is at the moment in terms of what's been implemented so far by the government, have a look at this.

BILL SHORTEN [CLIP]:

SCOTT MORRISON [CLIP]:

GRAHAM PERRETT [CLIP]:

ROSS HEART [CLIP]:

SHORTEN [CLIP]:

MARLES: I'm in Sydney today Chris because this morning the Shadow Cabinet met and Bill took a recommendation to the Shadow Cabinet about supporting the company tax break up to a threshold of \$50 million dollars. What that means is that what has been implemented in terms of the government's company tax breaks up until now stays in force and really Christopher what that's about is making sure that there is certainty for small businesses going forward. Questions about what future senates may or may not do in relation to this are cleared up. We know that what exists now is what will continue but there remains a very big difference between our position in relation to company tax and yours Christopher. \$50 million dollars is one thing, but what we are not about is giving a tax break to the big banks \$17 billion dollars in total. That's what your proposition is and remains and that is now the very clear decision that will be in front of voters when they look at voting both in the by elections and the general election within the next 12 months.

PYNE: Well Richard your Leader can't even do a backflip truthfully. This is a bungled backflip because if you actually look at the detail he's not saying that he'll do what the government's doing for businesses between \$10 million and \$50 million dollar turnover. He's saying he'll only reduce the company taxes from 30 cents in the dollar to 27.5 when the government's policy is from 30 cents to 25 cents.

MARLES: Yeah, but way into the future.

PYNE: It is not actually a backflip it's a bungled backflip, it is a bungled backflip because actually the tax cut is to 25 cents for businesses between \$10 million and \$50 million and Labor have said they're not going to do that. So small businesses know that Labor is still coming for them, If you had properly back

flipped then you would have adopted the government's policy of 25 cent company taxes from businesses with \$2 million to \$50 million and you're not doing that for those between \$10 and \$50 million you're saying it's 27.5 cents. So your Leader can't even truthfully backflip properly. He has bungled his backflip and we all know it's in his DNA to actually not support these company tax cuts, you all voted against it in the House of Representatives and the Senate if you remember and who trusts Bill Shorten to keep his word anyway. So you've bungled your backflip and no one trusts your Leader any way to keep his word. If he wins the next election straight afterwards everyone knows he will go back and belt small business.

MARLES: Please Christopher, I mean you can talk about bungle all you want. We're very clear about the decision we were making and you were part of the conversation and you're not invited to be either, not that I suspect you want to come –

PYNE: No, I'm not coming.

MARLES: But at the end of the day what we're making clear is that the state of play as it exists right now we will not change.

PYNE: It's a trick.

MARLES: No, that's an important statement of providing certainty in terms of what exists now in relation to the state of tax. But we are making clear that we don't support the big business tax cut that you have legislated –

PYNE: You're not going to get away with it.

MARLES: We are making clear that will repeal it, we'll tell you what you're not going to get away with and that is the idea of stumping up a 17 billion dollar tax cut to big banks given what's going on with the royal commission.

PYNE: You can say that all you like you're not going to get away with Bill going out today pretending he's done a backflip he's been punished apparently by the Shadow Cabinet now he's adopting the government's position. When the truth is he's not done a backflip, he's bungled his backflip he's still hitting businesses between \$10 million and \$50 million dollar turnover with a 2.5 cent increase in their company tax and where the government position is and they and the small businesses who watch every dollar will see straight through this and I bet you'll be bet you'll be doing this again next Friday in another Shadow Cabinet meeting doing a proper backflip because you're not fooling anyone. I think we've got to move on now.

MARLES: You do need to move on.

PYNE: We're moving on to the Senate stalemate. Let's have a look at how that unfolded this week.

PAULINE HANSON [CLIPS]:

MATHIAS CORMANN [CLIP]:

CHRIS BOWEN [CLIP]:

MALCOLM TURNBULL [CLIP]:

MATHIAS CORMANN [CLIP]:

PYNE: Well Richard we've had a great fortnight in Parliament from the government's point of view we've passed \$144 billion dollars' worth of personal income tax cuts through both Houses of Parliament which will be very welcome

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MARLES: So what deal have you done with Pauline?

PYNE: For hard working Australian families across the country, of course you're opposed to that you only want to have a \$70 billion dollar cut, so you want to take away half the hamburger and just give them the bottom half of the bun. But we want to give them the whole lot and this week unfortunately the company tax cuts that we proposed for businesses over \$ 50 million dollars didn't pass the Senate but we didn't put it to a vote as to use the old expression we lived to fight another day.

MARLES: So what deal have you done with Pauline?

PYNE: We haven't done any deal with that with One Nation at all and Mathias Cormann made that perfectly clear. But if you're going to talk about secret deals when is Bill going to release the secret deal he's done with the CFMEU to beat Anthony Albanese at the past leadership ballot.

MARLES: So we saw the ridiculousness of Pauline Hanson in the Senate this week and we all saw the clip of her flip-flopping then. I'll make this bet, after the by elections, whatever Pauline Hanson is saying between now and the by elections in terms of whatever she wants to project to people in Queensland and Tasmania and the rest of the country, I'll bet your bottom dollar that come the end of the by elections she is going to end up supporting your company tax because at the end of the day she is just a Liberal at heart and that is where she lies.

PYNE: I can't understand why you keep attacking Pauline Hanson surely you want people who vote for One Nation to preference Labor and you keep giving her an absolute pasting and no wonder the One Nation people aren't supporting Labor, I'm glad they're not.

MARLES: Let's be clear, Pauline Hanson is not for battlers. Pauline Hanson at the end of the day is just a Liberal. She's always been a Liberal and she

remains a Liberal. She almost always supports what you propose and I'll betcha that after the election she does exactly that in terms of company tax cuts.

PYNE: It's a strange strategy.

MARLES: But we do need to move on. This Sunday we see being the first of July we see the next round of cuts in relation to penalty rates come into force. This is the big one is bigger than the first round that has previously occurred, have a look at this

TANYA PLIBERSEK [CLIP]:

MALCOLM TURNBULL [CLIP]:

MARLES: The stand out stat in the economy right now is that we have record low wage growth and we've had it for a very long period of time. Record low wage growth and every worker in this country Christopher knows it. And the idea that your policy remedy in relation to this is to come up with penalty rate cuts is amazing. So this Sunday up to 700,000 Australians are going to feel the impact of that having something at 11,000 people in my electorate alone and in electorates all around Australia. This is everything about your priorities and you're really keen to do the tax cut for big business for the \$17 billion dollars for the banks. At the same time you're cutting penalty rates to ordinary middle class and working class Australians this Sunday they feel it.

PYNE: Well Richard I know you actually care about the workers and you used to work for the union and you actually do care about their terms and conditions. But the problem for your boss is that he's the man from Clean Event, he is the guy with Kachita Mushrooms. He's the guy that when he was a union leader his union did deals with businesses that actually hurt workers penalty rates. In terms of clean event as you know they could have been being paid \$49 dollars on the weekend they ended up being paid \$18 dollars. They had their penalty rates stripped away-

MARLES: Have you ever negotiated and EBA Christopher

PYNE: Kachita Mushrooms, so you've got no credibility on penalty rates.

MARLES: I can say this having watched Bill Shorten the union career up very close. I was in the union movement the same time, I was at the ACTU. Bill Shorten's union career and the enterprise bargaining agreements that he signed is an absolute testament to what he has done for working people in this country which stands in complete contrast to the efforts that any people on your side of the parliament have ever done for people who earn a salary in Australia and I can tell you –

PYNE: Well I used to be a cleaner, that was my first job and I wouldn't have

liked people doing that to me.

MARLES: The sad thing here Christopher is that that was last century

PYNE: That's sad and that's true.

MARLES: Bill Shorten has a proud union career. What we really need to focus on now is the policy that's in place here and a cut to penalty rate of ordinary Australians is going to have a huge impact on them and that's what occurs this Sunday and you wear that politically because you are not doing anything to change that. We have come to the end of the first half of the show. Join us afterwards when we'll be talking with Kate Louis.

[BREAK]

PYNE: Well welcome back to Pyne and Marles here on Sky News Live. Our guest today is on the issue de jure which is the huge decision we've made about the hunter class of antisubmarine warfare frigates. It has huge ramifications for defence industry so we're being joined by the head of defence industry policy at the AI Group, Kate Louis, welcome to the show Kate.

KATE LOUIS: Thank you very much.

PYNE: So Kate what does this mean for Australian industry? The decision that the government has made today awarding this to be AE and ASC Shipbuilding Co?

LOUIS: Well Christopher this is a tremendous decision on the back of the industry policy that we've had now for the last couple of years really building Australian industry we warmly congratulate BAE and defence. It has enormous implications for our capability and for the Navy and for our industrial footprint as well. BAE has established supply chains across the country and I was very pleased to see particularly the 500 companies that have prequalified right around the country. This has tremendous implications for large businesses, small businesses not only just directly in defence of course but AI Group's very impressed with the way that this is going to roll out across other industries in the country as well.

MARLES: Kate do you imagine that Auster will end up playing a role in terms of design.

LOUIS: Look, I think Christopher mentioned before that will be up to the market and how the contracting goes ahead. I would hope that all companies that have the kind of capabilities that Austal and the West Australian alliance and South Australia right through the country will have many opportunities to be part of this tremendous project and program and really a jewel in the crown for the naval shipbuilding program.

PYNE: Have you found in the last couple of years in your role that the primes

the big companies like the BAE's and the Leido's, the Lockheed Martin's and so, the Raytheon's have come on board in terms of supporting the Government's ambitions around Australian industry content and that that's now flowing through into the defence industry?

LOUIS: Absolutely. Great question and I'm really pleased to raise that because that has been significant feedback from our AI Group companies that there is tremendous engagement from our prime companies. They order books of filming the export markets are opening up really on the back of a set of policies and a whole real push and leadership role both in defence and industry and the government, huge renaissance for the defence industry in this country with huge opportunities. It's very exciting for the country and if it's one message I can get out on this program today it is about how this industry is going to be at the cutting edge of the country for many years to come.

MARLES: So I think there's no doubt that the high tech nature of defence industry is one of the real benefits of why this industry as distinct from any other industry as a contributor to the Australian economy and it's of course why there's very much bipartisan support around this. We mentioned upfront I don't know whether you had heard the conversation, it's not exactly why you make these decisions but I think there is a significant dividend in BAE's choice by virtue of what it means in terms of the bilateral relationship with Britain. Do you see opportunities opening up in terms of Australian companies supplying into British procurement decisions in relation to defence?

LOUIS: I think one of the great things about the way that industry policy is going and underpinning this decision is export opportunities getting into those global supply chain programs as well as supporting the individual project itself. So no doubt BAE has a fantastic global supply chain program. They have established supply chains and that strategic relationship for all of those programs is no doubt important.

PYNE: But that wasn't their decision this week of course Kate, we also decided to award Northrop Grumman the role of building and providing us with our first Triton unmanned aerial vehicle the first of six that has ramifications to through defence industry in another part of the of the portfolio.

LOUIS: It certainly does. That's another very important strategic relationship and something that has really impressed me as being the first international partner that opens up huge opportunities in terms of understanding that technology we're really part of a very very exclusive club there, similar to the growler relationship where we have access unprecedented access really to capability that will be formidable and that industrial footprint will be important as well, being part of a collaborative relationship I think is an important decision in that project and I understand there'll be employment opportunities. I was very pleased to see some Indigenous employment opportunities in the Tindell region I understand which will be an exciting part of that program.

MARLES: No doubt about that, that is a really important measure and indeed

seeing Indigenous employment lift within Defence Industry and the defence procurement process is great. Kate thank you very much for joining us. There's no doubt that there is a lot happening in defence industry in this country at the moment and you're very much at the forefront of that in terms of what you're doing at AIG and we appreciate your time today.

LOUIS: Thank you for having me, appreciate it.

MARLES: And that brings us to the question of the week which was inspired by the freezing temperatures in Canberra this week and it is with the temperatures below freezing point this week. Did our Founding Leaders make a mistake in making Canberra Australia's capital? Christopher what do you think about that and how did you survive the minus 5 conditions on Tuesday morning?

PYNE: There's no doubt there's no other way of putting it Richard it was bloody cold in Canberra this week, minus five minus, minus four, dreadful but on the other hand that's the way it is. Look I don't mind Canberra and I don't mind the weather changing. I don't know quite why the Founding Fathers put it precisely there. I know it had to be within 100 kilometres of the NSW border and couldn't be in Victoria or in Melbourne or in Sydney permanently. They could have chosen Adelaide of course it has lovely weather. Why do you think they chose Canberra?

MARLES: Well there is an apocryphal story I don't know whether it's true that there was a sense that in fact the colder climate the more crisp the decision making. I think there was a sense that if we were in a balmy climate we would be sitting on banana lounges sipping daiquiris and not making decisions. And indeed I think it could have been worse because Cooma, I think it was actually suggested as one of the colder alternative but Canberra's what we got and I like Canberra too. We've run out of time. We'll be joining you in a couple of weeks' time when not here next week but we look forward to joining you. Then at 1 o'clock on Friday's on Sky News for Pyne and Marles, we'll see you then.

[ENDS]

Authorised by Noah Carroll, ALP, Canberra.