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**E&OE TRANSCRIPT
SKY NEWS LIVE
PYNE & MARLES
FRIDAY, 7 SEPTEMBER 2018**

SUBJECTS: Land Forces; change in prime minister; energy policy; national accounts; Indonesia; Pacific Islands Forum; underdogs

CHRISTOPHER PYNE: Well good afternoon and welcome to *Pyne & Marles* here on Sky News Live. It's Friday, September 7 at 1 o'clock Australian Eastern Standard Time. I'm Christopher Pyne and I'm in Melbourne today, and Richard Marles is my co-presenter and he's in Sydney. We've had a hiatus for the last two weeks, one caused by a party meeting and one caused by me being in Whyalla and unable to get to a studio, but we're back and better than ever, and Richard you're looking great there in Sydney. What have we got on our show today? What's happening?

RICHARD MARLES: Well, you know, you're looking good, too, Christopher, and obviously it's been a very tumultuous few weeks and we'll get into that big time in a moment, but earlier in the week we were together-

PYNE: -Why? What happened?

MARLES: Well, I'll be asking you what happened, but earlier in the week we were together at Land Forces, which is a big defence expo in the land domain. It's been running in Adelaide over three days of this week. It was a pretty impressive event.

PYNE: It was a great event, Land Forces. In Australia we do our big three conferences separately for the services. Navy does the Pacific conference in Sydney, Avalon, the air show, is in Geelong in your part of the world, and we do Land Forces in Adelaide, and that was this week. Twice or 50 percent bigger than the one two years ago, a lot more money being spent by the corporations and by Defence, I think it was 16 chiefs, 26 countries represented there, and it's an opportunity for people to display their wares for defence forces. It's really good fun.

MARLES: And that last point came through really strongly. I met the Chief of the Swedish Army, I think it probably was the Deputy Chief of the Vietnamese Army, but certainly there was a lot of high-level military officials from around the world and this is really a basis for military diplomacy and all of that actually makes you feel a lot safer, when you look at the degree to which militaries around the world know each

other and respect each other.

There were virtual reality experiences to be found everywhere. I held what was basically a bazooka but managed to be strafed by some fighter planes before my finger got anywhere near the trigger, and then I was on a landing craft and everyone told me to turn around, which I did and discovered that I was being squashed by a tank as it rolled out, so I realised after those experiences I should stick to my day job

PYNE: Well it's a very serious conference. The commander of the US Army in the Pacific, Robert Brown, was present, it's taken seriously by the Americans, and the Saudi Assistant Defence Minister Mohammad Bin Abdullah Al-Aysh was there as well. So, we are really very much on the map in terms of defence and defence industry in a way that I think in Australia we underestimate, but it was good to see you there learning some of the ropes.

MARLES: Well, we were there in a slightly different capacity. Obviously I was there as the Shadow Defence Minister, but you were there as the Defence Minister, and that in a sense brings us in to the topics of the week, which really look back to the last few weeks where we have, well, it's to state the obvious to say that it has been a transformational few weeks in the Australian political landscape. The world is very different to when we were last on air.

To start with we now have our 30th Prime Minister, Scott Morrison, who took over from Malcolm Turnbull. We will be talking about that. We'll be talking about what that means in respect of policy issues. There have been a number of policy statements made, but the National Energy Guarantee, for example, was a part of the drama of the last few weeks. We'll have a talk about what that means going forward. And to bring things back to the here and now, on Wednesday the national account figures came out. We'll be having a discussion about the significance of them.

Our guest today is Peter Jennings, a friend of the show, the Chief Executive of the Australian Strategic Policy Institute, and we'll be talking about the Prime Minister's visit to Indonesia as well as the Pacific Islands Forum, which has been on this week.

But Christopher, let's start with the big issue: we now have a new Prime Minister. Scott Morrison took over from Malcolm Turnbull two weeks ago today. Have a look at this.

MALCOLM TURNBULL [CLIP]: I was impressed by how many of my colleagues spoke or voted for loyalty above disloyalty, how the insurgents were not rewarded by electing Mr Dutton, for example, but instead my successor, who I wish the very best, of course, Scott Morrison.

SCOTT MORRISON [CLIP]: There's been a lot of talk this week about whose side people are on in this building, and what Josh and I here to tell you as the new generation of Liberal leadership is we're on your side. That's what matters.

MARLES: So, Christopher, at a human level I kind of want to ask 'how are you?', but perhaps the question I should be asking is this: why exactly did we need a new prime minister?

PYNE: Well, Richard, the more things change the more they stay the same. For example, I'm still here. This is my fourth government as a minister, in the Howard Government, the Abbott Government, the Turnbull Government, and the Morrison Government. So, not all the personnel have changed and there is some continuity and I'm still in the Defence portfolio, but I would like to seriously paid tribute to Malcolm Turnbull and Julie Bishop as the Foreign Minister, the leader and the deputy leader. They both did an outstanding job.

The question you ask is a good one. It's yet to be answered by those people who felt there needed to be a change to the leadership, but we've moved on as a party, as a government. We have a new generation of leadership in Scott Morrison and Josh Frydenberg. Yesterday the new Prime Minister gave a superb speech in Albury about the values that drive him and drive the Liberal Party, which had been the same values for the last 75 years. I'm looking forward to getting on with the job, just like he said yesterday.

MARLES: So it's as simple as that? Let's be clear: Scott Morrison doesn't come to this with clean hands. I mean, how do we go from a situation where Scott Morrison has his arms around the Prime Minister at a press conference and 48 hours later or something he is the Prime Minister? There is a Brutus-like quality to that moment. It is an image which will haunt him for the rest of his time in this job. Scott Morrison surely does not come to this without blood on his hands.

PYNE: Well, nice try, Richard, but the reality is you and whoever's been writing those articles might have watched one too many episodes of House of Cards, I think. That is a fictional account of politics.

The one thing we know about politics in the Western world these days is very unpredictable, and what we now need to do as a government, and as a country, quite frankly, is put the last 10 years behind us and govern for the Australian people. You showed the Liberal Party how not to do it and we didn't learn your lesson. You had the Rudd Government, the Gillard Government, the Rudd Government. You change the leader twice in that five-year period or six-year period. I wish we'd learned that lesson from you. We haven't, but we now have to we have to and get on with governing for the Australian people.

MARLES: But then here's the issue, Christopher, because we all know how that story ended with the Rudd-Gillard years: do you think that three prime ministers in five years is a tenable proposition to take to the next election?

PYNE: Well, it's the democracy that we live in. Now, whether it's the best system, the Israelis, of course, they changed their system because they were tired of so many changes of government they allowed their people to vote for the prime minister directly. I'm sure over the years there'll be a lot of debate about whether we need to change our system, but we both know that's almost impossible. We have to now get on with governing, which is exactly what Scott Morrison's been talking about, and now we'll move to our next subject, which is what the change of leadership means for policy in the Morrison Government. Let's have a look at what's been said about that this week.

SCOTT MORRISON [CLIP]: Next week, Cabinet will be ratifying a decision to

reverse taking the retirement age to 70. It will remain at 67. The pension age going to 70: gone.

JOURNALIST [CLIP]: Is the NEG, the National Energy Guarantee, dead as we once knew it?

ANGUS TAYLOR [CLIP]: Well, what I can say, Kieran, is that we are absolutely focused on price, price, and price while we keep the lights on.

MORRISON [CLIP]: Let's love all Australians. Let's love this wonderful country. That's what I believe. That's what you can expect from me. That's what you can demand from me.

PYNE: Well, Richard, the important thing about the Morrison Government is the consistency between policies of the last three years and going forward into the future, but every Prime Minister has their own emphases and has their own style and way of doing things, so this week Scott Morrison made it absolutely abundantly clear we're interested in bringing down electricity prices, keeping the lights on, unlike what we've seen in South Australia under the previous Labour government. We will reach our targets at 26 percent, reducing our emissions under the Paris agreement. We will do that with the policies we have in place now. He has also decided that we won't proceed with Labor's policy of increasing the pension age to 70 over the course of the next few years. We'll keep it at 67.

MARLES: Well, you'd get to 26 percent if you all took a holiday between now and 2030. The reality is that's such a low ambition that that doesn't say that much, but the thing I need to understand is this, Christopher: it appears as though you have dropped the National Energy Guarantee. The architect of the National Energy Guarantee, at the same time, has just got a promotion to being the deputy leader of the Liberal Party. I mean, is this a case of people who have failed upwards, or is it the case that you simply cannot come to terms with any energy policy that remotely resembles being sensible?

PYNE: Well, the National Energy Guarantee was a number of different moving parts. One of those parts, of course, has been to give more power to the states to implement their own legislation around reliability. That will go ahead. Also, underpinning investments in new energy production, new energy generation, whether that's gas or hydro or coal as long as it's dispatchable power, or improving current energy sources in current factories around Australia. That's all part of the National Energy Guarantee and it's working.

The problem with Labor's policy, your 45 percent target will push up electricity prices, and you're welcome to go to an election promising to push up electricity prices but I think you'll find that heavy going myself.

MARLES: But you can't say the National Energy Guarantee is working when you've just ditched it. I mean at the end of the day-

PYNE: -The prices are going down.

MARLES: -You don't have an energy policy and that is the bottom line here and God

knows how you're actually going to get one, given that the architect of it, you completely undermined his position as the deputy leader of the Liberal Party - but we probably need to continue.

On Wednesday we had the national accounts figures. Have a look at this.

JOSH FRYDENBURG [CLIP]: They are the best set of numbers since the mining boom.

SCOTT MORRISON [CLIP]: That's why we keep Australia strong and we keep our economy strong. You can't take it for granted, can you, Josh? 3.4 percent growth through the year. He's only been Treasurer for two weeks and he's already smashed my growth records.

JIM CHALMERS [CLIP]: A defining feature of these national accounts released today is that company profits are growing more than five times faster than Australian's wages.

FRYDENBERG [CLIP]: We're not scheduled to get back to balance to 2019-20, but certainly the numbers yesterday were better than expected and that will flow through to the final budget outcome.

MARLES: The underlying story here Christopher is that the benefits of whatever's occurring in the economy is not being shared equally. As you heard Jim Chalmers say, company profits going at five times the rate of wages. Wage stagnation remains the standout stat in the economy, but the other thing that we're seeing is that the savings component of the economy has dipped to a 10-year low, so this is people actually using their savings in order to continue to spend within the economy. None of that is good news.

PYNE: Well, Richard, Jim Chalmers is like a little dark cloud following good news around and raining on it every chance he gets, and the reality is this is good news. The truth is the policies of the Turnbull and Abbott governments and now the Morrison Government have been driving economic growth. Of course in defence industry for the last two years, we've seen 23 months, I think it now is, of continuous growth in manufacturing, the longest continuous growth in manufacturing since 2004. We've reduced the taxes on small business. We've reduced taxes for personal income tax and we have grown the economy, reduced regulation, cut red tape, got the budget under control and that is showing up. We've got the best growth figure of any country in the G7 nations around the world. That is unadulteratedly good news and we're trying to spread that in terms of wages through personal income tax cuts that you oppose, and we're trying to support small business so they can keep even more of their own money and invest it in their businesses and in wages. So, while we've got policies you've just got bad news and higher taxes.

MARLES: Again, nice try, but wage increases-

PYNE: -Well, I assume you agree with all that.

MARLES: Wage increases are growing at the slowest rate they ever have. If what you're saying is that the Government owns what's going on in the economy now then

you own wage stagnation and that, more than anything else, is going to define the way in which people vote next year in the federal election.

We have come to the end of this section of the show. Join us afterwards when we'll be having a chat-

PYNE: -You must be glad. You've been towelled up.

MARLES: -when we'll be having a chat with Peter Jennings.

[AD BREAK]

PYNE: Well welcome back to *Pyne & Marles* here on Sky News Live. It's been a big couple of weeks, obviously, for the Government and the new Prime Minister, but one of the most important things he's done is travel to Jakarta to show the Indonesians how important we regard that relationship, and this afternoon we're joined by the CEO of the Australian Strategic Policy Institute, a regular guest, Peter Jennings. Peter, welcome to the show.

PETER JENNINGS: Thanks so much, Christopher.

PYNE: So, Peter, how do you think the trip to Jakarta will have been received by Indonesia? Was it a very important appointment that Scott Marshall needed to keep that Malcolm Turnbull had planned? Was that the right signal to send?

JENNINGS: I think it was absolutely the right signal for Scott Morrison to go to Jakarta early, and in fact there's been quite a history of Australian prime ministers doing that on taking office. I think it's something the Indonesians welcome and I think it's particularly welcome that Morrison was able to talk about the imminent closure of a free trade agreement.

Really, the next thing that has to happen now in the relationship is that we do our best to grow the defence and security side of the house. I think we've got a good platform for that to happen but there's a lot more that could be done to deepen our defence and security cooperation and I think that's really the next vital step that we should be thinking about.

MARLES: I agree with that, Peter. A lot was made of the closeness of the relationship between Malcolm Turnbull and Joko Widodo, and in past times there's been a lot made of the relationship between Kevin Rudd and SBY. When we talk about the American alliance we always talk about the strength of it no matter who is the president, no matter who is the prime minister. Do you think that the Australian-Indonesian relationship is too leader-dependent, and do you think there is a way in which we can make it more institutionally good, irrespective of who the leaders are?

JENNINGS: That's a good question, Richard. I think for many years we've probably been too dependent on official links, political links and bureaucratic and military links. The real weakness overall I would have to say is in the economic relationship, which has been under-gunned, somewhat surprisingly when you consider how close Indonesia is and potentially how large it is as a market for Australian goods and services, and people-to-people connections, with I guess the exception of Bali, have

probably not been as strong as they should, so a free trade agreement gives us an opportunity to thicken that relationship out. I would like to see a lot more business connections being established.

Then, as I said, I think the next important thing that should happen would be around defence and security. I know, Christopher, you're going to be going to Indonesia in mid-October, and I think apart from traditional military-to-military ties the sorts of things we should be talking to Indonesia about our defence industry connections. I think there's a great deal that we could do working with Indonesia to strengthen their air force and their navy, and frankly that is entirely in Australia's strategic interests. The more we can get the two countries to be thinking and working together as a single strategic entity, I think really the better for both Australian and Indonesian security.

PYNE: Peter, I couldn't agree more. Part of the priority of balancing great power competition between China and the United States is of course strengthening our own military-to-military relationships with countries like Indonesia, Japan, India, of course, and defence industry now plays a really large part in that in terms of building up capability and that technology edge.

Of course, the other significant priority for us is the South Pacific, and this week was the Pacific Islands Forum. Marise Payne, the new Foreign Minister, represented us there. What did you make of the behaviour of the Chinese representative at the Pacific Islands Forum, Peter, if you'd like to comment on that and other developments across the South Pacific in recent times, which is becoming even more strategically important to us?

JENNINGS: Yes, it was a fascinating insight into the sort of bullying face of Chinese diplomacy in the South Pacific, Christopher. I thought that it was quite an insight into the lack of respect, frankly, that Chinese officials have for Pacific Island leaders, and all strength to the Prime Minister of Nauru for telling a sort of a middling-level Chinese official where to get off in terms of his pressuring of the Nauruan Government.

You know, I think this is a reminder to all of us that in dealing with Pacific Island countries we've got to deal with them with respect and as sovereign equals and that's something Australia can do very well. You know, we're not there to sort of bribe or bully our way into the region. We're there to work collaboratively with Pacific Island governments and there are a number of things which came out of the Pacific Islands Forum, Christopher, which I think are very positive, including an announcement that Australia would be funding Black Rock training facility near Nandi in Fiji, which is designed to help not only the Fijian military forces but police and other South Pacific countries to train for peacekeeping operations and also for humanitarian assistance and disaster relief through the region.

You know, it's really great that Australia is now back into that close level of cooperation with the Fiji military forces, so I think we come out of the Forum having made some quite significant achievements in terms of our relations with the Pacific Island countries.

MARLES: And just quickly Peter, I think that is a good development that you've

described in Fiji. I've certainly got strong views about where the Pacific fits within our world view. Do you think the Pacific plays big enough in the way Australia sees the world? I'm not JUST talking about parliamentarians, but foreign affairs, defence, our bureaucracy. Do you think we give it the pre-eminence that it deserves?

JENNINGS: I think we've had a bit of a jolt, Richard, in the last six months or so, to come to the ugly realization that there's a big strategic competition going on in the region with China working as hard and as fast as it can to cement influence, often of a pretty negative variety. Australia was perhaps distracted by military operations in the Middle East and elsewhere but I think now we're racing to catch up. It would, again, would be fantastic to see a stronger Australian business presence through the region, but you know my own view is that at the government level and in the defence and security world what we need to do is think big, not be content with current policy settings but constantly be looking for what's the next thing we can do with the Pacific Island countries which helps to keep the South Pacific, you know, essentially a region that is driven by Australian influence and the influence of democratic countries, and I think that the Island communities will welcome that. I think that's seen to be a far more preferable development path for Island societies than to be getting too close to China, for example, which has been one of the risks of the last few years.

MARLES: Oh look, I've got no doubt that the Pacific will absolutely welcome a growing Australian leadership if we're willing to play that role. Peter, thank you very much for joining us again today. It's always a pleasure to have you on, getting your insights about international affairs, and we look forward to having you on again.

And that brings us to the question of the week, which has been inspired by John Millman's remarkable victory against Roger Federer in the US Open, and so our question this week is: what's your favorite underdog story? Christopher, what's yours?

PYNE: Well, I love underdogs. It's one of my very favorite things about Australians. We love it. I love it in the pool in particular. My favorite in recent times has been when the American 4 x 100 men's swimming team, the relay team, said they were going to smash the Australian team like guitars on the side of the pool in the Sydney Olympics, and then our 4 x 100m team won and they all played the guitar afterwards for the cameras to show that they had been the opposite to smashed like guitars. It was, I thought, a very emotional moment for us Australians, beating the best team in the world.

MARLES: It was a great moment in sport, and four years prior to that Kieren Perkins winning the 1500m from lane eight was an incredible night as well.

We've run out of time, Christopher. Thank you again for joining us after a couple of weeks off. I look forward to seeing you again next week, and you as well, viewers, next week on Sky News at 1 o'clock for *Pyne & Marles*. We'll see you then.

Authorised by Noah Carroll ALP Canberra