

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

**E&OE TRANSCRIPT
SKY NEWS LIVE
PYNE & MARLES
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SUBJECTS: PM Trip to Queensland; Labor's Negative Gearing Policy; the Pacific; US Midterm Elections; New US Ambassador to Australia.

CHRISTOPHER PYNE: Well good afternoon and welcome to Pyne and Marles here on Sky News Live. It's Friday the 9th of November, leading into Armistice weekend. It's one o'clock Australian Eastern Daylight Standard Time. I'm Christopher Pyne and I'm in Adelaide and my co-presenter is Richard Marles and he's at home in Geelong this afternoon. Hi Richard, how's Geelong?

RICHARD MARLES: Geelong's very good. And in fact, Sky our network, has been down here this weekend, or during the week, they've been doing an event with the Business Council of Australia. David Speers was down here. This is actually where David began his journalistic career at K rock, in their newsroom; the local radio station has not been the same since he left. But we've also of course had the Melbourne Cup. So did you back a winner?

PYNE: Well I backed Rostropovich who, not being a cultured individual of course, you won't realise that Rostropovich is a famous Russian cellist. And Rostropovich came fifth, but didn't win obviously, because nobody backed the actual winner. So the bookies would have absolutely cleaned up on Melbourne Cup Day. Did you get to the Cup?

MARLES: I did not. But it says something about both of us. Clearly we have no interest in horses, because you've backed on the basis of the cultural value of the name and I chose Runaway which is the winner of the Geelong Cup, who is the horse that I always bet on in the Melbourne Cup if they get a start, and Runaway came 19th. So it wasn't a flash day.

PYNE: It's nice for you though that both you and David Speers ended up on the number one news network in the country from Geelong.

MARLES: Well there we go, we did, from beautiful Corio Bay. But we should – it's been a big week in politics beyond the Melbourne Cup and David Speers'

return to Geelong, so we should talk about that. Of course, this week the Prime Minister has been on a bus trip throughout Queensland. We're going to have a chat about that. On Wednesday, the Treasurer released figures in relation to Labor's negative gearing policy; we're going to talk about that as well. And the Prime Minister, in Townsville, made a speech about the Pacific; it's come into prominence of late, so we'll talk again about the Pacific, which I'm really looking forward to. And of course this week has been US midterm elections, so big news from overseas. And Bruce Wolpe, who is a Visiting Fellow at the United States Studies Centre, is going to be joining us after the break and we'll be talking to him about that and other matters in relation to the United States. But let's start with the Prime Minister's bus trip through Queensland. Have a look at this.

SCOTT MORRISON [CLIP]: This is me, doing what I do, and I'm out, I'm listening, I'm hearing and I'm doing.

JIM CHALMERS [CLIP]: Queenslanders can spot a phony try hard from a mile away.

JOURNALIST [CLIP]: Will you be taking the bus to Rockhampton from here?

SCOTT MORRISON [CLIP]: Yes, the bus will be going to Rockhampton from here.

JOURNALIST [CLIP]: Will you be on it?

SCOTT MORRISON [CLIP]: I've got to get there earlier than the bus tonight.

MARK BUTLER [CLIP]: This is a trip that's overflowing and gimmicks, overflowing in marketing and spin.

SCOTT MORRISON [CLIP]: You want a strong economy? Then you want a government that knows how to run a strong economy. We're a government that has been able to deliver on that front. We're a government that has turned our fiscal situation around.

MARLES: Well, I get why you wanted to put him on a bus through Queensland, Christopher, because Scott Morrison has only been to regional Queensland four times since the last election. That compares with Bill Shorten who has done 44 trips to Queensland, including 17 town hall meetings in regional Queensland. But I mean how much more can you make this guy look like a try hard? It was just an exercise in how many baseball caps he can put on.

PYNE: I do love you Labor people, Richard. You're obviously starting to get nervous about the next election. I mean it's not the quantity of visits to Queensland it's the quality of visits to Queensland. And I'm sure that when Bill Shorten went in Queensland he was peeling off votes from the Labor Party

because he's one of the most untrustworthy people to offer themselves for Prime Minister in Australia's history and the public see it. I mean talking about phony – people in glass houses should not be throwing stones. Scott Morrison is known for his authenticity and that's what the public realise. Whereas with Bill Shorten, they know that he's just a great big fake. So, if you want to go down that track, go down it, but I'm actually starting to think that you Labor people are getting quite nervous because the election is not quite in the bag as you thought it was. You'd already started measuring up the curtains in the Ministerial wing. But I think you've got to fight on your hands.

MARLES: Well of course we've got a fight on our hands, and the election's certainly not in the bag, and we know that we will need to be fighting this through to the last possible moment. But I love the way that you keep talking about how Scott Morrison is authentic. It's as though you need to use that word as much as possible to give rise to some actual belief that this guy is anything other than a total phony, which is all we saw this week. I mean look I live in regional Australia, I can tell you in regional Australia the things that actually matter are funding to health and to education. If he wanted to say something substantive in Queensland he would have talked about reversing your cuts to health and education, instead it was just one baseball cap after another and I reckon the whole state and the whole country could see through it.

PYNE: Well if Labor wants to focus on schedules, numbers of visits, the volume of baseball caps, rather than the issues, well good luck to you because –

MARLES: There were no issues, he didn't talk about issues.

PYNE: People in Queensland like lower taxes, Richard. They want lower taxes. They like jobs and a huge number of the jobs we've created, in the million plus that we created in the last five years, have been created in Queensland. The economy growing at 3.4 per cent and Queensland is the beneficiary of that. And they don't want to put that at risk. Scott Morrison talked about that message all week in Queensland. We haven't made any cuts to health and education, you know that as well as I do. But you can keep repeating that as often as you like.

MARLES: Well there's one critical fact here. It's what your primary vote has done in Longman over the last three elections and the haemorrhaging of that says everything about why Scott Morrison is there and why you are not being taken notice of in that state.

PYNE: Well we've got to move on to the next topic, which is a great topic because it's all about Labor smashing house prices. Labor was caught out this week got negative gearing and its impact on 1.3 million Australians. Let's see how that played out this week.

MORRISON [CLIP]: Property values – the one asset that Australian families

invest in more than anything else – will go down.

CHRIS BOWEN [CLIP]: This is a good time to reform, it'll be even less of a shock, it'll be even smoother –

JOURNALIST [CLIP]: So you think it'll be less painful?

BOWEN [CLIP]: Yes.

JOSH FRYDENBERG [CLIP]: What Labor's going to do is take a sledgehammer to people's housing prices, housing values.

BOWEN [CLIP]: Completely laughable, completely dishonest and fraudulent.

BILL SHORTEN [CLIP]: Do you know how many people go to auctions, young people and their parents, they've saved and saved for the deposit, and all of a sudden they face competition from property investors being subsidized with the taxpayer money of the people who are trying to buy their first home.

PYNE: Well Richard you're a seemingly intelligent person for all intents and purposes. So you probably have a grasp, maybe a slim grasp, on economics. So obviously if you drive down demand, then you are going to drive down prices as well. Now the problem with your negative gearing policy is that it reduces demand because there's less people in the market to purchase and as a consequence it drives down house prices. Now the house is the most important asset for most Australians in this country and Labor wants to take a wrecking ball to house prices. You've really fluffed it on negative gearing. You've turned 1.3 million Australians into enthusiastic Coalition voters.

MARLES: And given that we announced this before the last Federal Election, and we saw a significant swing to Labor, I mean presumably they were coming out in droves then. I mean look what this says is that you are so devoid of having anything to say about public policy in this country that you've returned to the idea of running a scare campaign. And the research that was released by the tax office last week, I mean the moment it came out there was a stampede of economists saying that this was dodgy research at best. I think Saul Eslake said –

PYNE: Rubbish

MARLES: Well Saul Eslake said it was somewhere between misleading and disingenuous. The reality is: firstly it didn't take into account the fact that this is being grandfathered, so there is no one who has a negatively geared property now who will be affected by Labor's policy –

PYNE: But it will still drive down demand. That's not the point. It will still drive demand because there'll be less purchasers in the market. Why don't you want to increase supply?

MARLES: - and there are a whole lot of factors. Well this will help increase supply, because actually negative gearing will continue to apply to new housing. There are a whole lot of factors in terms of demand, this is just one of them –

PYNE: You should get the Daniel Andrews' Government to release more land.

MARLES: This is just one of them.

PYNE: You should the Andrews' Government to release more land. They've had a bad week too.

MARLES: And what it's going to mean, Christopher, is that a first home buyer comes up on even terms at an auction, as opposed to now when they're up against taxpayer subsidized housing investors. But we're going to need to get on to the next topic. During the week in Queensland, the Prime Minister made a speech in relation to the Pacific in Townsville. Have a look at this.

MORRISON [CLIP]: Well there's going to be a big job to do in the Pacific.

MORRISON [CLIP]: A new chapter in relations with our Pacific family.

MARLES [CLIP]: You know they've come to the party pretty late. That point has to be made.

MORRISON [CLIP]: We need to step up in the Southwest Pacific as a matter of responsibility.

SHORTEN [CLIP]: I just say to the Prime Minister: imitation is the sincerest form of flattery. Great.

MORRISON [CLIP]: This is our patch. This is our part of the world.

MARLES [CLIP]: The entry ticket to playing in the Pacific is having a credible policy in respect of climate change.

MARLES: It is good that we're seeing a much greater focus on the Pacific. It is the part of the world which I think defines Australian leadership where what we do matters the most. It's been a long time coming that we've got governments seeing that this is an area which requires focus. I guess one point I'd like to make Christopher, is that climate change policy is fundamental to the countries of the Pacific. If you go to Kiribati, Tuvalu, Marshall Islands, coral atoll nations that are no more than a metre or two above sea level, it's an existential issue there. I think the problem for the Government now is that without a credible climate change policy, both domestically and in terms of what we're doing internationally, it is going to be hard to engage.

PYNE: Well before I respond to that Richard, I do think it's a bit of a rumour when you have to run your own clips on your own television show because they don't get a run anywhere else. But nevertheless that wasn't your call, so we'll let you off the hook. Look I think it's fantastic that we have a significant pivot on the South West Pacific this week. It's obviously very important to Australia. There are 22 countries in the South West Pacific. We've always been the big economic powerhouse of this part of the world. And I think we've been a very strong presence. We are part of the family. But I do think that there are some really important practical measures that we've announced this week, particularly in the defence area, to strengthen our relationship and our defence engagement in the South West Pacific. Of course things like the building of the peacekeeping and police facilities in Fiji, through to upgrading the Manus Island base at Lombrum and the stationing of Australian platforms there into the future. But military-to-military engagements, a large hulled vessel to help with humanitarian and disaster relief. Taking our responsibilities seriously. I know you've always been a great enthusiast for the Pacific, so you know, I'm sure that you'd support what we've announced. It should be bipartisan and climate change should be an important part of our policies towards the South West Pacific, because I agree with you, it's raised with us all the time when you travel in the South West Pacific, but we do have an agenda around climate change and it is working and we will reach our targets as we're required to do under first Kyoto and now of course Paris.

MARLES: Well that might be a debate for another day. But you're right we should be making the Pacific bipartisan and it is great that this is happening. You referred to military cooperation there, I totally agree. I mean those things are all good that you've described and I think there's a big vista to still be walked upon in terms of greater cooperation between us in a military sense, and I hope that becomes something which is kind of bipartisan doctrine between the major parties in Australia. We've come to the end of the first part of the show. Join us afterwards, we're going to have a chat with Bruce Wolpe.

PYNE: Well, welcome back to Pyne and Marles here on Sky News Live. It's been a big week in US politics; the resignation of Jeff Sessions, the Attorney-General there, the appointment of a new Ambassador for Australia, Arthur B. Culvahouse Jr., and of course the midterm elections which threw up quite a result, which people didn't really expect. So we're going to talk about that this afternoon with a Visiting Fellow of the US Studies Centre, and an old friend of mine, Bruce Wolpe. Welcome to the show, Bruce.

BRUCE WOLPE: Thank you Christopher, thank you Richard, great to be on.

PYNE: Well the midterms, Bruce, were quite a surprise weren't they? A lot of people thought that the Republicans would hang on to the Senate, but they actually increased their numbers by two to three and Trump did a lot better in the House Representatives than people expected. There certainly wasn't the blue wave of Democratic results. They won I think 26 seats net. But at the same time of the Obama administration, Obama lost 60 seats. So is the

glitterati from the media missing the messages again on Trump and the U.S?

WOLPE: No, no I don't think so and the numbers are still outstanding. There's still a few Senate races to be decided and House races. The House count is actually now up to 30 and people think we'll get closer to 35 as the votes are counted. And some Senate races are now being, in Arizona for example, where the Republican was thought to have won, holding John McCain's seat, the Democrat is now leading in late counting. And in Florida there are going to be recounts for both the Senate race and the Gubernatorial race. So it's not - the numbers are not quite as low as were indicated a couple days ago. But the most important thing from the Democrats' point of view is that they achieved their objective, they took control back of the House of Representatives. And I ran some numbers on just what the overall popular vote for the House of Representatives was – all 435 seats, all 50 states. The Democrats had 51 million votes and the Republicans had 47 million votes. So the total number of votes for Democrats was higher than for the Republicans. In the Senate races it was even more, 46 million Democratic votes, 33 million Republican votes. But the Republicans won seats in country, rural states where Trump campaigned heavily and where the races were kind of structured. So I guess the question that I'm asking is, where we stand today, is President Trump weaker after the midterms or stronger? And the fact is, because the Democrats control the House and it changes the landscape in Washington, he is weaker.

MARLES: So Bruce, take us through that then, the fact that the Democrats now have control of the House, what does that now mean they can do in respect of the Trump Administration?

WOLPE: It's sort of like the governing party, the Liberal National coalition being able to control the reps in Parliament, and that means that they can set the agenda, do the scheduling, hold legislative hearings, but also have powers of oversight and investigation into the Executive Branch. So for the first time since Trump was elected, there's going to be a competing power centre in Washington for the public policy debates that unfold all the time. So you can expect from the Democrats that they will first staff up, their budgets will increase by about 100 per cent in terms of getting staff and able people on board. They will start passing a legislative program. Now that program will run into roadblocks in the Senate and Trump won't sign things, but they will lay down markers as to what Democrats want to do, particularly on health care for example. And then on the investigations front, I think they'll pass a Bill which would try and protect Robert Mueller from being arbitrarily fired by Trump. And third, they will be able to have hearings on what is occurring inside the Executive Branch, Cabinet departments and investigate. The Attorney-General was fired – Jeff Sessions – and already the Democrats want to hold hearings: well, what happened, why and what are the consequences? So we're going to see that competing narrative from Democrats emerge on the landscape in Washington and that's going to alter how Trump operates and how the Senate operates.

PYNE: I think that's true, Bruce, and I think that's not necessarily good for America's place in the world. I mean I wouldn't say that I was supporting the Republicans or the Democrats in the midterms; it is not my call one way or the other as an Australian Cabinet Minister. But, you know, stability in Washington is really important, so I hope the Democrats with this control in the House of Representatives are going to use it wisely, to actually strengthen America, not to continue the war between the politicians in Washington.

WOLPE: I hope so too Christopher, and I think hyper-partisanship is a bad thing wherever it occurs. But going back to the original question, kind of what happened and why, if the midterm election was just on the economy, Trump would have won handily, he would have kept control of the House of Representatives. Something else was at stake and that something else, I think was, people having questions about the President, his temperament, his character and how he's governing the country and wanting to put a check on it. And generally, you know since Kennedy's time, well since Lyndon Johnson's time, there have been more periods of divided government, where you have one party in the White House one party in Congress, as opposed to unitary government. So we actually have returned to some semblance of normality which reflects the checks and balances inherent in the US Constitution. And I actually think if it plays out along the lines that you're suggesting, it could be a healthy development as far as a pernicious development.

MARLES: Well certainly the electoral and governing phenomenon which is Donald Trump is a compelling story and you know this is going to be the next chapter.

WOLPE: Yeah, he is tough Richard, I'll tell you. He is really tough.

MARLES: That's true. So, on another tack, during the week we had announced the new American Ambassador to Australia, A.B. Culvahouse Jr. Tell us about him.

WOLPE: He was a counsel and chief of staff to Howard Baker, who was the legendary Republican Senator from Tennessee. It was Howard Baker who asked, you may recall in the Watergate hearings, what did the President know and when did he know it? He went on to become Majority Leader. He became chief of staff to Ronald Reagan towards the latter part of Reagan's two-term Presidency. And Culvahouse was counsel to not only Baker but also to Ronald Reagan. He subsequently served on several foreign policy boards, so he has strong international experience. And in recent years, he helped Presidential candidates, Republican Presidential candidates, vet their Vice President. So he helped out John McCain and he helped out Donald Trump in the selection of Mike Pence. So this is an establishment figure, he's chair of a white shoe law firm in Washington: O'Melveny & Myers. He is greatly respected on both sides of the aisle and he is the kind of senior, grounded, deep thinker that will benefit the Alliance. He shares the values of the Alliance, he shares a rules based international order. He understands how the world operates and I think he'll just

be a tremendous asset. And I think Australia should be very welcoming to him and I think he'll do a terrific job. Which takes nothing away from Jim Caruso, who has been the acting Ambassador, and has been absolutely outstanding as well.

PYNE: Well he has been, Bruce, and he's actually been on our show, as well, Jim Caruso.

WOLPE: Good.

PYNE: He's done a fantastic job standing in for the last couple of years and it's been a great pleasure getting to know Jim and working with Jim. But that's good news that Arthur Culvahouse is a globalist. No doubt, hopefully you can tell us a bit about his views about Asia and America's role in Asia, because of course from the Australian point of view the US being engaged in the Indo-Pacific is a critical requirement of the Alliance for us.

WOLPE: He'll speak for himself when he has his confirmation hearings. But I have no doubt that he understands what is invested in the post-World War Two institutions that have helped keep peace, security and promote prosperity. And I think he'll be – which is exactly what Australia has declared are its interests. So I think we have someone who will shore up, not only the bilateral ties between the two countries, but also the projection of Western influence in the best way across the Indo-Pacific and help promote America's interests, Australia's interests and peace and security and stability. And I think he'll be a force for good in our diplomatic future and how the two countries are aligned together.

MARLES: And just quickly, Bruce, what's the timing on this. When can we expect him in Canberra?

WOLPE: He has been – I think he'll be in Canberra by Easter. I think he can be easily confirmed, I think he'll be one of the first orders of business in the new Congress. So I think we'll see him very shortly.

MARLES: Well that's good to hear. Well look, thank you very much for joining us today Bruce, there's been a lot to talk about in relation to the U.S. and we look forward to talking to you again soon.

WOLPE: You can't go wrong being with you two. Thank you so much.

PYNE: Thanks Bruce.

MARLES: And that brings us to the question of the week, which might actually be inspired by Christopher's current experience, but the time of the year, and it is: are current school exams impacting on your household? Christopher, I have been through this. I know that your two twins are doing Year 12 now. So how is Dad coping with all the stress in the household?

PYNE: Well I can't tell a lie and say that I'm bearing the brunt of this stressful period. My twins are both doing their exams, as you said, in Year 12. So we've got double trouble in that respect. But my dear wife has been carrying the burden of this because I'm basically like you too much of an absent father. I must say I'll be very glad when the exams are over. The level of short-temperedness has dramatically risen in the Pyne household. But you've been through it once, and as you said off air, there isn't a part of the handbook that deals with Year 12 exams.

MARLES: Absolutely not. I mean you know when you're a participant it's stressful, but it's certainly not in the parent handbook that it's even more stressful for the parents and that's how I found it. It was an absolute living nightmare when I went through it and I've got three more to go. So not looking forward to it at all. Anyway, great talking to you again this week, Christopher. Look forward to doing so again next Friday at 1 o'clock on Pyne and Marles on Sky News. We will see you all then.

ENDS

MEDIA CONTACT: CATHERINE BERGIN, 0417 466 418

Authorised by Noah Carroll, ALP, Canberra