

Secretary of the Department of Defence

I am pleased to announce the appointment of Mr Greg Moriarty as Secretary of the Department of Defence.

Mr Moriarty brings a considerable range and depth of experience to the role and I congratulate him on his appointment.

He first worked in the Department of Defence from 1986-95, primarily in the Defence Intelligence Organisation. He also served in the Headquarters of the United States Central Command in the Persian Gulf during Operations Desert Shield and Desert Storm.

As an officer in the Department of Foreign Affairs and Trade, Greg Moriarty served in a number of senior roles, including Senior Negotiator with the Peace Monitoring Group on Bougainville, Ambassador to Iran, Ambassador to Indonesia and as a Deputy Secretary of the Department.

Mr Moriarty became the first Commonwealth Counter-Terrorism Coordinator in June 2015, responsible for coordinating and implementing Australia's counter-terrorism arrangements.

In August 2016, he joined my office as International and National Security Adviser and later became my Chief of Staff.

He holds a Bachelor of Arts Degree with Honours from the University of Western Australia and a Masters Degree in Strategic Defence Studies from the Australian National University.

I thank Mr Moriarty for his outstanding work in my office in which he demonstrated his leadership and strategic understanding as he has done throughout his career.

I also thank Brendan Sargeant for his dedicated service while acting in the role of Secretary of the Department of Defence.

Mr Moriarty's appointment is for 5 years commencing on 4 September 2017.

At that time, Peter Woolcott AO will commence as my Chief of Staff.

Since February 2016, Mr Woolcott has served as Australian High Commissioner to New Zealand. His previous roles include Ambassador for the Environment (2014-16) Permanent Representative to the United Nations in Geneva and Ambassador for Disarmament (2010-2014), Ambassador for People Smuggling Issues (2009), Ambassador to Italy (2004 -2007).

From 2002-2004, Peter Woolcott worked as Chief of Staff to the then Foreign Affairs Minister.

Mr Woolcott's extensive experience and expertise make him highly qualified for his new role, and I very much look forward to working with him.

Secretary of the Department of the Environment and Energy

Dr Gordon de Brouwer PSM has advised me that he wishes to leave his position as Secretary of the Department of the Environment and Energy from 8 September 2017 to pursue other interests.

Dr de Brouwer has had an extensive and distinguished career with three decades of public service in academia and the public sector.

Dr de Brouwer was a G20 sherpa and supported Australia's Prime Ministers at eight G20 summits. He was awarded a Public Service Medal and made a Knight in the Legion of Honour by the President of the French Republic for both his public and G20 service.

As Secretary of the Department of the Environment and Energy, Dr de Brouwer oversaw the release of the Australian Antarctic Strategy and 20 Year Action Plan as well as the Reef 2050 Long Term Sustainability Plan which was unanimously welcomed by the World Heritage Committee. Also during Dr de Brouwer's time as Secretary, Australia signed and ratified the Paris Agreement on climate change.

I thank Dr de Brouwer for his advice and leadership in a number of roles and his commitment to the Australian Public Service. I wish him all the very best for the future.

A new Secretary will be announced in due course.

Q&A with Paul Kelly, 2017 Economic and Social Outlook Conference

PAUL KELLY: Thank you very much, Prime Minister. You're an optimist and that was an optimistic speech.

We know in an age of disruption and great technological change that jobs are being destroyed and new jobs are being created – it's one of the arguments you've just made. But there's a lot of analysis which suggests that in terms of the new jobs being created they tend to fall – in simplified terms – into two categories: quality jobs at the high end that are well paid, and other jobs that are low paid jobs, perhaps in the services sector, perhaps casual employment. To what extent are you concerned that we might see this problem

emerging as a significant challenge for Australia and, if so, what can you do to bring people with you? People who are concerned about insecurity, job insecurity, but beyond that concerned that they're not going to be prospering as much in the future as they did in the past because of these changes in the labour market?

PRIME MINISTER: Well thanks, Paul. Obviously seeing is believing and that is why we have to resist the populism, for example, of protectionism – that is, as I think Peter was saying earlier today. That would pose a very real risk to Australia. We need to ensure that we open up as many opportunities for Australians and Australian businesses as we can.

A very good example is Tasmania. Tasmania is enjoying stronger economic growth than it has had for many, many years – and it is being driven by those big trade deals, in particular the Australia-China Free Trade Agreement. It is being driven by the greater opportunities that are being opened up.

In any time of rapid change there will be, obviously, challenges and opportunities – plainly. But what you have to do is ensure that you have the resilience and the agility and the confidence to seize those opportunities.

I know some people suggest – I've sort of gathered a slight note of chastisement in your introduction a moment ago – some people suggest that I'm too optimistic. Let me tell you, you don't want a Prime Minister who is a pessimist. You want somebody who believes Australians can do anything and does everything he can to ensure that they do. That's my commitment.

PAUL KELLY: Okay, now let me just take you up on that. You're an optimist and you're very persuasive when you make these arguments, but how do you carry the Australian public behind this? How do you persuade the Australian public that they should be optimists as well?

PRIME MINISTER: With results. That's what you need. I've said elsewhere – and I know Scott will in his address to this conference later will make the same point – jobs and growth is not just a slogan; it's an outcome.

We are seeing continued strong jobs growth. High participation, highest since January last year. We're seeing continued strong employment growth. Wage growth, particularly real wage growth, is still lower than we would like, obviously it's a low inflation environment, that is a global problem. But we shouldn't kid ourselves that the answer to that is throwing up trade barriers and, you know, trying to pretend that all of this technological change is not occurring.

PAUL KELLY: Well let's just go to this question of trade. You've come back from the G20 meeting. How significant were the divisions in the room among those heads of government about trade policy?

PRIME MINISTER: Well, not nearly as significant as obviously was portrayed in some of the media – although I hesitate to criticise the media here in your presence.

PAUL KELLY: Well surely the differences were quite marked though Prime

Minister, surely?

PRIME MINISTER: I would say that the difference is really between the approach of the new American administration – President Trump's administration – and other countries. By and large the commitment to continued free trade and open markets is very strong.

And I mean even from the American point of view, I have to say that you know President Trump is a businessman. He has been in business globally all his life. He comes to the White House with an unprecedented length of experience in business, and so what he is seeking to do – I would characterize the new US administration's approach as not being anti-trade as many people have done. But rather as seeking to ensure that trade is from their point of view fairer, on a more level playing field and so forth.

And hence there was a lot of discussion and I think a high degree of consensus on issues like oversupply and what we would call dumping in the steel market. So that's an example.

So again I think the difference between say President Trump and other leaders, or indeed his predecessor, is more one of emphasis than it is of principle.

I don't think you know, we're not heading back to the Smoot-Hawley Act which is when the US threw up huge trade barriers amid the depression.

PAUL KELLY: So you don't think, I mean you don't rate highly from those comments the risk of global trade disruption.

PRIME MINISTER: I think there are two questions, do I think there will be massive global trade disruption of the kind that some more pessimistic scenarios suggest. No I don't think there will be because I think self-interest, good sense will prevail.

But would we be big losers from a rise in protectionism globally? Absolutely, we would be.

I mean whatever you may think of protectionist agendas in other markets, believe me from our point of view, Australia's massive vested interest is in free trade.

We are a trading nation and you can see the benefits of a more diversified economy – and you see this particularly in regional Australia where obviously there were some very heavy blows as the mining construction boom wound down, as it was always going to. But one of the reasons that landing was less hard than it otherwise might have been is because of the opportunities that have come from trade particularly into Asia.

PAUL KELLY: Well let's just go to this question of trade you've come back from the G20 meeting. How significant were the divisions in the room among those heads of government about trade policy?

PRIME MINISTER: Well not nearly as significant as obviously was portrayed in

some of the media, although I hesitate to criticise the media here in your presence.

PAUL KELLY: Well surely the differences were quite marked though Prime Minister, surely.

PRIME MINISTER: I would say that the difference is really between the approach of the new American administration -President Trump's administration – and other countries. By and large the commitment to continued free trade and open markets is very strong.

And I mean even from the American point of view, I have to say that you know President Trump is a businessman. He has been in business globally all his life. He comes to the White House with an unprecedented length of experience in business, and so what he is seeking to do – I would characterize the new US administration's approach as not being anti-trade as many people have done. But rather as seeking to ensure that trade is from their point of view fairer on a more level playing field and so forth.

And hence there was a lot of discussion and I think a high degree of consensus on issues like oversupply and what we would call dumping in the steel market. So that's an example.

So again I think the difference between say President Trump and other leaders, or indeed his predecessor, is more one of emphasis than it is of principle.

I don't think you know were not heading back to the Smoot-Hawley Act or something like that which is when the US threw up huge trade barriers amid the depression.

PAUL KELLY: So you don't think, I mean you don't rate highly from those comments the risk of global trade disruption.

PRIME MINISTER: I think there are two questions, do I think there will be massive global trade disruption of the kind that some more pessimistic scenarios would suggest? No I don't think there will be because I think self-interest, good sense will prevail.

But would we be big losers from a rise in protectionism globally? Absolutely, we would be.

I mean whatever you may think of protectionist agendas in other markets, believe me from our point of view, Australia's massive vested interest is in free trade.

We are a trading nation and you can see the benefits of a more diversified economy – and you see this particularly in regional Australia where obviously there were some very heavy blows as the mining construction boom wound down, as it was always going to. But one of the reasons that landing was less hard than it otherwise might have been is because of the opportunities that have come from trade particularly into Asia.

PAUL KELLY: Now we saw the reports about assurances you got when you were overseas in relation to steel and aluminum from Australia. What's the nature of those assurances?

PRIME MINISTER: Well I'm not going to go into the specifics but what I can say is we've been discussing the issue with the US administration over recent months. I've had good discussions with the President directly, and also I was there at the G20 with Mathias Cormann, Finance Minister and we've discussed it with Gary Cohn, the Economic Advisor, Steve Mnuchin, Wilbur Ross – obviously the Secretary for Trade in the US Government and Steve Ciobo our Trade Minister has also had regular discussions with the US counterparts since this review they've made on steel was first initiated.

The discussions continue to highlight that the US-Australia relationship is very strong. And we are confident that our steel exports to the US pose no risk to US national security and in fact bring substantial economic benefits to both our countries.

And appropriately my last discussions with President Trump on this matter were held in a steel box, I should say which was the SCIF – the secure communications information facility – which is like a steel box or room that we had this discussion, with about seven or eight of us in there.

I can assure you, Australia's interests and in particular in this context of our steel industry are being very strongly advocated and we've had a very good reception. But we will obviously wait and see what the administration finally decides when it announces the consequences or the outcomes of the review.

PAUL KELLY: Now we're about to see some significant changes in global monetary policy. The US Fed has made clear its intentions, and while the cash rate in this country never got as low as the cash rate in other nations, nonetheless our central bank will be a part of these adjustments.

Given the extent of household debt in this country, to what extent are you concerned that the monetary policy adjustment when it comes in this country will pose certain risks because we are vulnerable in terms of household debt. How concerned are you about this?

PRIME MINISTER: Well the answer is I am always concerned about that, Neil Mitchell was asking me about this this morning on the radio here in Melbourne and I think – and this is particularly in the light of the Reserve Bank's comments in their recent statement about monetary policy.

Look what they're saying to us is rates are more likely to go up than down.

They're saying that the neutral real interest rate they think is about one per cent. If you assume that inflation is two and a half, then that would indicate a nominal cash rate of three and a half.

Now what they're not saying is that they're going to increase the cash rate to three and a half per cent next month – quite the contrary.

So the monetary policy at the moment remains accommodative, the bank is indicating it's likely to remain that way for a while yet, but rates are more likely to go up than down.

So what does that mean? It means households in particular, businesses need to bear that in mind. Clearly you need to remember that asset price movements go in two directions, and particularly this is relevant to housing. I know it's been a pretty good one way bet for a long time but it's going to be important for people to be prudent.

Now the banks are clearly very alert to that, you've seen changes in lending policy, you've seen changes and particularly increases in the rates they apply to interest only loans and the availability of interest only loans.

So my sense is that this risk is being well managed. But it is high levels of indebtedness that are incurred with low levels of interest rates always pose a risk when you've got the prospect of an increase in rates. Particularly if it's been all built on an assumption of rising asset prices.

PAUL KELLY: Now if we just switch to taxation from what you just said in your speech with your commitment to proceed with the corporate tax cuts which have not yet passed the Senate. When will you reintroduce that legislation?

PRIME MINISTER: Shortly. That will all be introduced, that will be debated in the Senate before the year's end.

PAUL KELLY: Okay what about personal income tax? The Liberal Party of course traditionally stands for cutting personal income tax when it can, to what extent do you aspire over the course of the current parliament or going into the next election to be able to bring forward commitments in that area?

PRIME MINISTER: Well we would, our view is that tax ideally should be lower. You know you obviously have to raise tax to pay the bills, but clearly all taxes have an economic cost, particularly business taxes. There is a deadweight loss associated with every tax as all the economists here know better than me.

But plainly the issue is affordability, now what we have done is we increased last year as you know the threshold, the \$80,000 threshold to \$87,000 so about half a million Australians over the next few years won't go into the second highest tax bracket so that was a valuable middle income tax cut.

We did not extend, despite a lot of pressure, the deficit levy, which added two per cent to the top marginal rate. Mr Shorten obviously having, when Tony Abbott introduced this in the 2014 budget, Shorten described this as a deceit levy and denounced it and then finally voted for it on the basis that it had a three year term so we haven't removed it, we just have allowed it to expire in accordance with the terms it was agreed on.

We've been criticised for that, but that obviously gives you an indication that we feel already our personal tax rates are high, and our top marginal rate is high by global standards. And in addition the threshold at which it comes in, which is two and a half times average full time earnings is a low

threshold for a top marginal rate, again compared to other countries.

So we shouldn't kid ourselves, we are a highly taxed country both in terms of company tax and personal income tax.

PAUL KELLY: Well we certainly are and I noticed that was a pretty cautious and measured response.

We had a discussion on tax this morning, in particular led by Bob Gregory and one of the takeouts from that is that according to the Government's own budget papers, that if you look at the pathway back to surplus this will be achieved overwhelmingly through increases in personal income tax. In particular through fiscal drag and that in this sense of course it represents a choice made by your Government. That is an overwhelming choice to address the budget deficit problem on the personal income tax side.

What's your response to that analysis?

PRIME MINISTER: Well I'll make a couple of points, and Scott will elaborate on this later on in his address.

Average real growth in spending under this Government, our Government is lower than the average of the previous five Governments – extending back almost fifty years.

Spending is expected to come down to 2.5 per cent of GDP over the forward estimates.

Beyond that the contribution of higher revenue to budget repair is a matter of arithmetic, the less we can achieve in terms of reductions in spending, the more obstruction in the Senate delays the return to surplus, the more heavy lifting that revenue has to do.

And you've seen the imposition of the major bank levy is an example of the response we had to make, it gave us no joy to raise that revenue but that was how we needed to get the budget back into surplus and we are doing that.

Now it's worth pointing out however that the budget numbers, the medium term numbers over ten years assume that tax is capped as a share of GDP, that's just a mechanical assumption.

So put another way the numbers factor in addressing bracket creep. So ten year numbers have all of the limitations of forecasts that far out would invariably do, but there is a cap on the percentage of tax as a share of GDP.

PAUL KELLY: But Prime Minister the Treasurer has said for most of the past 18 months that the Government's priority would be to address the fiscal issue, to address the budget problem on the spending side and that manifestly has not happened.

PRIME MINISTER: It has not happened as much as we would have liked but we have made, around, it's actually in excess now of \$25 billion of savings on the spending side. So we've got a lot more through the Senate than we

anticipated, certainly vastly more than many of our commentators and observers anticipated. I can't tell you how many press conferences I've been at when I've been urged to admit that I have no prospect of getting a particular measure through the Senate. You know, I've refused to do so. It turned out, we've been able to get things done.

PAUL KELLY: Okay, but just on that point. If you're saying that you've actually been pretty effective in managing the Senate, this raises the question as to whether or not your decision to address the Budget issue on the tax side rather than the spending side, is your own choice rather than an option that's been forced upon you by the Senate and by the political system. So what is it? Is it your choice, or is it the choice that's been imposed upon you?

PRIME MINISTER: Well the choices that we've got to make are constrained by political reality.

We have had a number of savings measures that we could not get passage of through the Senate. I mean some, many of them have their origins in the 2014 Budget, they were often unkindly referred to as zombies because they remained extant for a long time. But we've dealt with all of that.

The budget that we brought down or Scott brought down this year is a very realistic budget. It's got some important new revenue measures in it – which we've been obliged to undertake in order to ensure that we can meet our obligations and that we can bring the budget back into balance.

Now we have to deal with the Senate the Australian people elected. I know the reality is the Australian Senate has the same powers for all intents and purposes as the House and we've got to play the hand of cards we're dealt.

So my job as Prime Minister is to govern. My job is to deliver and to do everything I can to make the Parliament work. There is no point in, you know, pretending that you can get measures through the Senate if you can't. You've got to do everything you can to get them through, we've done a lot better than many forecast, we look forward to working with the crossbench whom we respect and we cooperate with. We'll do everything we can to ensure that we can, working with the Senate to deliver the best outcomes for the Australian people. But you can't deal with a Senate in which you have 29 votes out of 76, by way of ultimatum. You've got to negotiate.

PAUL KELLY: Sure, now you talked about delivering and delivery is clearly going to be critical when it comes to energy policy. When the Finkel Report was released, you said you were very favourably disposed towards it. Can I just ask you now, what are your aspirations in terms of the critical final recommendation of the Finkel report for a clean energy target? Is this your aspiration, to get up this target? To what extent, given the commitment, or the general comments you've made about coal in recent times, particularly last weekend, how do you factor that commitment to coal into this response to Finkel?

PRIME MINISTER: Okay. Well we're doing more analysis, getting more analysis

done on the clean energy target. We've asked the Australian Energy Market operator, AEMO, to give us some advice on what the gap is going to be in terms of reliable despatchable power, you know baseload power if you like, over the next five and ten years.

We don't want to have any more shocks as we had after the closure of Hazelwood. So we've got to make sure that as older coal-fired power plants close – and eventually they will – we've got to make sure that we have the baseload to replace that. My attitude to technology is absolutely agnostic. The proposition that coal has no role to play is utterly unrealistic and in defiance of all the expert analysis and the facts. I'm a great enthusiast, as you know, you've all just heard me talk about Snowy Hydro, a great enthusiast for renewable technologies and technologies generally. The cost of renewable electricity generation is coming down all the time, particularly solar photovoltaic. It's been actually quite remarkable. But you've got to be able to deliver baseload power as well.

Now the object of energy policy should not be to have a certain percentage of renewables. The object should be secure and affordable power and the emission reduction objective should be to reduce emissions. There was a very good leading article in the Economist if I dare mention a competitor here, which makes that very point; that you can't allow yourself to miss the point. If your object is to reduce emissions, if that is an object of policy – and clearly that is part of it – then there are many roads to do that. Having a high-efficiency, low-emission coal fired power sector is clearly consistent with that. But again we'll await further analysis and review in particular from AEMO on that. I can assure you, engineering and economics, I can assure you, are the guide on this, not ideology.

PAUL KELLY: Okay I think there's two quick questions we'll finish up on in relation to that answer. So yes, you've taken up the point made by the Economist which is the point the Australian has made in the past as well, which is that the objective is about emissions education, it's not particular renewable energy targets. But we have a Renewable Energy Target.

PRIME MINISTER: We do.

PAUL KELLY: Which seems to be sitting in contradiction with the principle you've just enunciated. So how do we reconcile that?

PRIME MINISTER: Well the target is there its legislated. It was recently amended. It will be completed by 2020. We are committed to it. You know, the last thing you need is more uncertainty in that market. You add uncertainty to that renewable sector, all that would happen is that the cost on consumers would go up. The cost, people would start paying the default price of the renewable energy certificate.

So if I could just make this final point, the object of the Renewable Energy Targets, whether it's the M-RET under the Howard Government, or it's successors, was actually to encourage in every country, to encourage investment in renewables, to produce a sort of pull-through effect on the technology. Now whether that's worked or not is another question, but the one

thing we do know is that renewables have become much more prolific and the cost has come down dramatically. The technological advance has been extraordinary. Whether that would have happened in the absence of those subsidies is another question.

PAUL KELLY: Okay and the final question. In relation to coal, will you let the market decide this issue? Or will you lean towards the position taken by some of your colleagues such as your Deputy Prime Minister for example who has made it clear that he would like to see emerging from this process the commitment to a new clean energy coal fire power station and if necessary with government financial support.

PRIME MINISTER: The outcome, clearly it's always better if the market delivers all of these solutions. The Government is involved obviously with Snowy Hydro, that is a government-owned entity and will always be so. But if I could just make this point; the object is to ensure that Australians have reliable affordable energy. How that technology that is issued to get there should be judged on its merits. Again, if you look at South Australia for example, classic case in point, you can say their mistake was to have so many wind farms. Well, that's a point that many have made. The real mistake was to have such a huge dependence on wind farms an, intermittent source of energy, allow baseload to be closed and provide no backup for it. So if they had lots of wind farms and lots of storage, maybe it would have resulted in a satisfactory outcome instead of this enormous dependency on the big extension cord to the state of Victoria.

PAUL KELLY: Now you've just said the technology should be decided on merit. I mean one could interpret that to mean that you will let the market decide?

PRIME MINISTER: But of course the market –

PAUL KELLY: But the question is whether the Government intervenes and decides as a matter of policy in its own right, it wants to see a new coal fired power station or not. Which is not letting the market decide, that's letting the Government decide.

PRIME MINISTER: Well, there is an important role for government in energy policy obviously. But the goal should always be for investment decisions to be made by the market, by participants in the market on economic grounds. There are opportunities for support. You know, you have the Northern Australia Infrastructure Fund, Infrastructure Northern Australia, you have the Clean Energy Finance Corporation. But the aim has got to be always to ensure that you get the best outcome for consumers. Markets deliver that and in this case we're talking about affordable and reliable energy and each of those criteria have been put at risk by poor policy-making in recent years. By, just as I made the point about gas exports, by the sheer absence of mind, the complacency, the failure for either the Labor Federal government or the Labor state governments to say: "Hang on, if we allow all of this gas to be exported, what's that going to mean for the domestic market?" Now the fact that I've had to take some pretty heavy handed intervention there, gives me no joy at all. Quite the contrary. But the alternative is having a gas shortage on the east coast that will put tens of thousands of people out of

work. So that's why I say the focus of energy policy or the drivers of energy policy have got to be engineering and economics. The one-liners and ideology and slogans and all that stuff, that can be fine at a rally or something like that. But in terms of actually designing the measures that will deliver what Australian families want, which is affordable, reliable energy and meet our international commitments, you've got to be guided by engineering and economics. That of course requires analysis. It requires the work that AEMO is undertaking. You've got to make sure that we improve the quality of our policy making in the energy sector and I have to say Josh Frydenberg is doing a fantastic job as the Energy Minister as is Matt Canavan as the Resources Minister. My Government is determined to do everything we can, not to remake the mistakes of the past, but instead to set us on a course of affordable, reliable energy and of course meet those emissions reduction commitments that we've made.

PAUL KELLY: Prime Minister I want to thank you very much for giving so much of your time to this conference.

New Chair of the National Australia Day Council Board

I am pleased to announce that Ms Danielle Roche OAM will be appointed the new Chair of the National Australia Day Council Board effective 25 July, for three years.

Ms Roche is an Olympic Gold Medallist and brings vast financial and commercial expertise to the committee.

Ms Roche was part of the women's hockey team which won gold at the 1996 Atlanta Olympics and was awarded a Medal of the Order of Australia in 1997 for her service to sport.

Ms Roche will take over from Mr Benjamin Roberts-Smith VC MG as Chair of the National Australia Day Council.

Mr Roberts-Smith advised me that following his first term he won't be seeking reappointment for his role as Chair of the National Australia Day Council Board.

I wish to express my gratitude for Mr Roberts-Smith's leadership of the Council. He worked tirelessly with the board to inspire a greater sense of national pride and spirit through the Australia Day programmes and the Australian of the Year Awards.

Since his appointment as Chair of the National Australia Day Council Board in November 2014 more Australians have been nominated than ever before and there

have been record levels of community engagement with the Council.

He will continue his service to Australia as Deputy Chair on my advisory council for Veterans' Mental Health as well as continuing as Deputy Chair of the Veterans' Employment Industry Advisory Council.

I look forward to continuing to work with Mr Roberts-Smith and I congratulate Ms Roche on her appointment to the National Australia Day Council Board.

I am also pleased to announce the reappointments of Ms Robbie Sefton as Deputy Chair and Mr Norman Schueler OAM as Director, and the appointment of Ms Jane McNamara, Mayor of Flinders Shire Council in Queensland, as a Director of the National Australia Day Council Board.

Interview with Gareth Parker, 6PR Perth

GARETH PARKER:

Prime Minister, good morning.

PRIME MINISTER:

Good morning Gareth, great to be with you.

GARETH PARKER:

And thanks for coming on the show. How will it work?

PRIME MINISTER:

This will bring together our outstanding agencies so that they can do an even better job.

We've got the best security and intelligence services in the world, but as the threat of terrorism evolves and becomes more complex and more connected around the world courtesy of the internet and other technologies, we have to be responsive and stay ahead of the threat. So it's vital that our agencies work more closely together.

So it is logical that those key domestic security agencies that you've just mentioned are in the one department. As indeed they are in most other comparable countries including the United Kingdom where they have been obviously in the Home Office under the leadership of the Home Secretary for many, many years.

This is a long overdue change. It is not responding to a failure or a crisis.

Every step I take, every day is focused on keeping Australians safe and I'm always looking to find ways in which we can improve and optimize how our various agencies, including the Australian Defence Force, work together with other agencies to keep us safe.

GARETH PARKER:

There are some commentators Prime Minister, and I don't just mean political commentators, I mean strategic affairs and defence commentators, who have suggested that the benefits of the current arrangements are that agencies like the AFP or ASIO or the other security agencies, that there is actually a benefit in having them separate because they don't fall into the trap of 'group think'. They report to different ministers so you get attention and a competition of ideas and of different perspectives when it comes to the best way to address these security challenges. Is there a risk that you remove that competitive tension, a risk that you actually result in 'group think' by bringing everyone under the same minister?

PRIME MINISTER:

No absolutely not. Look, the agencies cooperate closely now and you'll find that when things go wrong, Gareth, in terms of security matters, it's invariably because there has not been enough cooperation, enough connectedness, people have been operating in silos and so forth.

So my goal and my commitment is always to stay ahead of the threat.

It is very easy for governments and public servants for that matter to just leave things as they are. I come from a very proactive business background where you are constantly seeking to improve what you're doing.

I do not believe in 'set and forget'. I don't believe in being complacent. No matter how well you're going, you've always got to ask yourself how can we go better? How can we do it more efficiently? How can we give Australians more protection? That's what we're doing here.

GARETH PARKER:

So why is Peter Dutton the best man for the job?

PRIME MINISTER:

Well he's doing an outstanding job as the Minister for Immigration and Border Protection and that of course is a key part of the new Ministry for Home Affairs. Because there are a number of other agencies – but you've identified the major ones – you've got Immigration and Border Protection, you've got the Australia Federal Police and you've got ASIO, which is our domestic security service.

GARETH PARKER:

Prime Minister whilst we very much appreciate you coming on the program this morning, it is a long time since you've set foot in the West, in fact you've

spent about 20 hours here on the ground, in Western Australia in the last 11 and a half months. Are we entitled to feel a bit neglected?

PRIME MINISTER:

Well I hope not, I've spent a lot of time in Western Australia and I'll be there again for the best part of a week very shortly.

Western Australia is very much a part of my life you know, many years ago a company Lucy and I started in Western Australia was the Western Australia Software Exporter of the Year winner. So I've got a long history with WA and a long connection. I can assure you I'm not a stranger there.

GARETH PARKER:

Well we haven't seen much of you as PM.

PRIME MINISTER:

Well, you will –

GARETH PARKER:

Some of your colleagues here think you've given up on Western Australia.

PRIME MINISTER:

If you feel you haven't seen enough of me, you'll be seeing quite a bit more of me very shortly, I can assure you.

GARETH PARKER:

Okay, not the last time you were here, but two times ago, when you were here for the Liberal Party State Conference, about 11 and a half months ago you made a commitment to imposing a GST floor, below which no states' share would fall. Do you remain committed to that objective and are you any closer to being able to tell us what the details in terms of the floor and when it will be introduced will be?

PRIME MINISTER:

Okay let's be very clear. What I said was – and this was an approach that I had worked up with Colin Barnett and my federal colleagues, right? The aim was to wait until the GST formula adjusted so that WA's share got up to a higher level. I think at that time the WA Treasury was forecasting it would get to in the order of 70 or 75 per cent by 2019. So you may correct me on the numbers, but that is my recollection.

GARETH PARKER:

That was true at the time.

PRIME MINISTER:

So what I said was that we should aim to set a floor at that point, below which states could not fall, because you could do that at that time and nobody, no state, would be worse off at the time you set the floor.

GARETH PARKER:

But since then the projections have become a lot worse for Western Australia as the iron ore price has improved a little bit. We're not going to anywhere near 70 per cent so, where do we stand now?

PRIME MINISTER:

Okay well what we've done is firstly we've commissioned a Productivity Commission Review into the impact of the current GST arrangement. I understand that they are not fair to Western Australia, believe me. I am the first Prime Minister to actually acknowledge there is a problem here. I'm the first Prime Minister to offer to do something about it.

The real question now that you should be addressing is to the Labor Premier and to the Labor Party. Because all they have done, when I made that announcement back last year I was roundly attacked by the Labor Party, by Mr Shorten. What we've now seen, if you've got a bunch of distinguished Members of Parliament and Senators, Labor Members from Western Australia and they've put in a submission to the Productivity Commission. It is just pages of waffle. They are not even prepared to go as far as I proposed last year.

Now you've got a Labor Party Premier, a Labor Government in Western Australia. You've got Labor and you know Bill Shorten is there and he's hoping to win the next election. He would see himself as the alternative Prime Minister –

GARETH PARKER:

Be that as it may Prime Minister –

PRIME MINISTER:

Hang on, they have –

GARETH PARKER:

You're the one who has the power to fix this as it stands right now, you're in government. You are the one within the power it has to fix this.

PRIME MINISTER:

What we have to do obviously is bring all the jurisdictions along with you. I mean this is a political challenge and of course what would be fantastic would be if the Labor Party, if the heroic Labor members and senators of Western Australia, I mean they are so lacking in commitment to your state that they're not even prepared to go as far as I proposed last year.

So what we need to do – and this is a point I've made many times – is we've got to be able to persuade all Australians that the arrangements are currently unfair. Now I have raised this. You can ask Colin Barnett, you can ask Premier McGowan, I have raised this very frankly at the COAG meetings and I've put it on the table. I've said the way in which the formula works in Western Australia, it is not fair, you know. It doesn't pass the pub test. Use any metaphor you like.

GARETH PARKER:

Yep.

PRIME MINISTER:

You're not getting a fair go and I recognize that and what we've got to do is address it. Now there have been a number of different approaches have been raised with me about following a Canadian example, for example –

GARETH PARKER:

Exempting some royalties?

PRIME MINISTER:

Exempting some mineral royalties. I've had a look at that. We're waiting for the report from the Productivity Commission, I think that's a very important step. But just give me credit for this Gareth, I am the first Prime Minister that has recognised West Australia as getting a raw deal, I'm the first Prime Minister to propose a means of dealing with it. It may not be as adequate as you'd like, but the Labor Party including the Labor MPs and Senators from Western Australia, are not prepared to even go as far as I did.

GARETH PARKER:

Well, we'll be speaking to one of those Labor MPs.

PRIME MINISTER:

They write pages of waffle. I'll tell you what it says: "The Western Australian Federal Parliamentary Labor Party seek an outcome to the situation," whatever that means. "But one that doesn't negatively impact other states and territories." No specifics, no detail at all.

GARETH PARKER:

We'll be speaking to one of those Labor MPs, Tim Hammond, he'll join me at 9.30.

PRIME MINISTER:

Well you should get him and ask him. Because I tell you what, it's five and a half pages of complete and utter waffle, no solutions.

GARETH PARKER:

Do you recognise that without action on this matter, you're going to lose some of your key contributors? You might lose the election, but you also might lose some of your key contributors. This is what voters have been telling me for some time.

PRIME MINISTER:

Well I think it's very –

GARETH PARKER:

You might lose Christian Porter, you might lose Michael Keenan you might lose Ken Wyatt, you might lose Andrew Hastie.

PRIME MINISTER:

Gareth I recognise that West Australians are furious about this. I understand that and what I've done is proposed one way of dealing with it. What we need, and this is what I'd be encouraging you to do, what we need is to put the acid on the Labor Party and say to them: 'When are you going to stop simply taking pot shots at the Liberals and present a solution of your own? Or support our solution, support the proposal I've made?' The proposal that I've made at the State Council that you referred to, came about through practical discussions I'd had with Colin Barnett as to how we get a measure of justice and equity into the GST formula in a way that could win support from other states and territories. Obviously setting a floor at a time when it had readjusted was an opportunity to do that. Now you've quite correctly made the point that since then the iron ore royalties have improved and of course the forecasts are no longer as optimistic as they were back 18 months or so ago.

GARETH PARKER:

Yep. Prime Minister we are out of time, I thank you for your time on the program.

PRIME MINISTER:

Thanks Gareth, good to talk to you.

GARETH PARKER:

We look forward to seeing you next month and hopefully we can have you in the studio.

ENDS