

POST-CABINET PRESS CONFERENCE: MONDAY, 3 DECEMBER 2018

PM: All right, good afternoon, everyone. All right, let me start by letting you know what I will be up to this week. Today, I am making an announcement with Minister Faafoi, and you will hear more on that in a moment. On Tuesday, I will be meeting the President of the Republic of Korea, President Moon. I'm looking forward to meeting him again after having the opportunity in the side lines of the East Asia Summit and APEC just a few weeks ago to speak with him. I'll also be speaking at the Prime Minister's Oranga Tamariki Awards to celebrate achievements of young people in care or who have recently come out of care, along with my New Zealand First colleague the Hon Tracey Martin, Minister for Children. On Wednesday, I have an announcement with Minister Shaw in Wellington, and later that day I will be hosting a children's Christmas party at Premier House—something that we started last year with Barnardos. On Thursday, I will be visiting Invercargill and making a number of announcements in support of the region. On Saturday, I will be attending and speaking at the Royal New Zealand Ballet. They're putting on *The Nutcracker* in conjunction with the Auckland Philharmonic Orchestra.

OK. Today, I have the Minister of Commerce and Consumer Affairs with me to announce that we will be asking the Commerce Commission to undertake an investigation into the retail fuel market in the first market study of this kind in New Zealand. New Zealanders are consuming around 6 billion litres of petrol and diesel each year. For many families and businesses, it is indeed a core expense. Given this, it's simply not acceptable that we are unable to say with any certainty that New Zealanders are paying a fair price for fuel—something that emerged as a consequence of the study in 2017. As you will recall, I expressed my concern in early November about the price of petrol and the impact this was having on household budgets.

Unfortunately, we, of course, cannot control the international price of petrol, which was, obviously, one of the factors in the recent spike in prices. However, we can ensure that there is good competition locally and address underlying concerns the Government has around margins and pricing variability. Between the week ended 5 October to the week ended 23 November, the price of petrol has fallen 32.57c to roughly \$2.14—a 13 percent fall. Importer margins also fell in that period, but by a smaller amount of 5 percent. Despite these falls, there remain underlying issues of concern.

As at Q2 2018, the International Energy Agency had New Zealand as the most expensive country in the OECD on a pre-tax basis for premium petrol, and we were ranked the second most expensive country in the OECD on a pre-tax basis for regular petrol. You'll recall me pointing out recently that 10 years ago we were amongst the lowest in the OECD for our pre-tax fuel price. Despite recent price drops, there remain disparities between prices at the pump in the lower North Island, for instance, and the South Island, to the rest of the country.

My concern around transparency and competition in the petrol markets still stands, which is why this study is so important. We do need definitive answers. I'm pleased the Commerce Commission will be getting this study under way as quickly as possible. New Zealanders do deserve peace of mind that the price they're paying at the pump is fair and that the market is operating effectively. I'll now hand over to Commerce and Consumer Affairs Minister Kris Faafoi to provide further details about the study.

Faafoi: Thank you, Prime Minister. As you heard the Prime Minister say, our ability to conduct market studies is an important new feature of our competition oversight regime. It's about ensuring everyday New Zealanders are getting a fair deal and honest businesses are able to thrive, and the Government has selected the retail fuel market as our first market study. This is a market study that is hugely important to consumers and to our economy, given the extent to which we rely on fuel, and on the size of the market. But there are existing indications of competition issues in the retail fuel market that are of concern to the Government.

This includes petrol and diesel importer margins more than doubling over the past decade; a significant difference in the price of fuel across the country that cannot be explained by transportation costs, with greater variations in price occurring over the last 10 years; and a review conducted by the previous Government which did not get to the heart of competition issues. It couldn't definitively confirm that fuel prices in New Zealand were reasonable, though it did find it had reason to believe that they were not.

The Commerce Commission will be undertaking a full and thorough analysis into competition into the retail fuel market and now has the power to compel companies to provide information, and this will enable us to better understand the market conditions and determine whether consumers' interests are being promoted at present and, if not, what actions need to be taken. The Commerce Commission will have 12 months to complete the study and report back. It will also be required to publish and consult on a draft competition report. The terms of reference for the market study will be published in the *Gazette* on Wednesday, and the Commerce Commission will start their study from there, and an announcement by the Commerce Commission providing further information about the process is expected later this week.

PM: Happy to take questions.

Media: Should it take so long?

PM: Look, this is the indication that we've had from the Commerce Commission. It's my understanding that this is the length of time that they feel is required. Obviously, we haven't had market studies undertaken of this nature to date in New Zealand, but, when you look at Australia, for instance, theirs have taken anywhere between six and 18 months, as I understand, so that's probably not an unreasonable expectation from the Commerce Commission.

Do I want things to happen more quickly? Absolutely. What I've asked relevant Ministers to do is to be prepared for any recommendations that might be made by the Commerce Commission. There is a suggestion that a draft report may, for instance, be available potentially within nine months, but I want to make sure that we are ready to roll when the Commerce Commission makes its recommendations known.

Media: So you could potentially act on the draft recommendations?

PM: Potentially—potentially—we could. Potentially, we could. Essentially, what I want to make sure is that we are ready to move and act as quickly as we can, depending, of course, on what the Commerce Commission finds. I don't want to pre-empt that, but if they make a case, we want to make sure that we're ready to go.

Media: What if you do find that it's fair and there is competitive behaviours? You've personally staked your reputation on this by personally fighting for it.

PM: Oh, look, I've certainly shared a view that from what I've seen and from what the stats tell us, from 2008 we went from having some of the lowest pre-tax fuel prices to now amongst some of the highest. You know, there's questions to be asked, and I'm pleased we're asking them. But we need, I think, the Commerce Commission to help put to bed some of these issues.

Media: The Commerce Commission's chairman actually came out last week and said that 12 months would put the regulator under considerable pressure. Is there any scope at all to, potentially, widen it if they're under considerable pressure here?

Fafoi: I think, as I said last week, they're no strangers to pressure. It's their first market study, so I can understand that they do feel a little pressured, but it is a significant market to look at, so a decent amount of time is going to be needed. As I say, we'll let them kick off the study. It's their first one, and we'll see how they're progressing.

Media: Is there any scope to giving them a little bit more budget or more resources so they won't be under as much pressure?

Fafoi: We'll see how they go.

Media: What do you put the 13 percent drop down to?

PM: Oh, to the fluctuations that we've seen recently? Oh, you know, look, there has been changes in the price of oil, but, at the same time, even while that's been occurring, we've seen huge variation at a regional level, and I think that, rightly, has led questions to be asked. Even in 2017, when some initial work was done, the finding was that they couldn't give assurances that New Zealanders were paying a fair price, and so that's what we need to put to bed.

Media: So do you think your attention on this has shifted that in any way?

PM: Look, it would purely speculative of me to say so. But I think what we do need is a rigorous look at what's happening in the fuel market, and that's what this is going to allow us to do.

Media: Do you regret any of your statements—

PM: No. To answer your question, Hamish, I do not.

Media: —that motorists are being fleeced, but to prejudice that you said that we could expect action early next year.

PM: No. Oh, look, certainly on the time lines, my expectation would have been that we would have been able to do this more quickly. I have to take heed of the advice that we're receiving from the Commerce Commission on that. They want to do it properly, and I have to let them do their job. What I have asked is that Ministers do as much work as they can to be prepared for the findings of the Commerce Commission in the intervening period. So certainly—yeah—certainly I would have liked for this to have happened more quickly.

Media: What kind of action are you willing to take? What could that intervention look like; how far is the Government willing to go?

PM: Oh, what we have to be prepared for are, potentially, I think, probably around competition issues. But we need to let the Commerce Commission do its job, as well.

Media: The 2017 study found that in 2008, margins might have been unacceptably tight and retail fuel companies might have been under-investing in infrastructure at that time. Is there a concern that if we look at 2008 as a target year, that we might get into the situation again where they're under-investing in essential infrastructure to the point where it could potentially become unsafe?

PM: I don't think it's a matter of us or the Commerce Commission looking at targets. You'll see from the terms of reference, really, the scope of the inquiry and where they'll be focusing.

Media: Did you talk to the Commerce Commission before you came out and said that consumers were being fleeced?

PM: No.

Media: If it's found to be fair, would you then maybe look at tax?

PM: Look at tax in terms of—?

Media: Well, if the petrol companies are found to be charging a fair price—

PM: Of course when the original conversation was being had, people were certainly asking questions around a contribution of excise. The point that we made at the time was that if you look at New Zealand's pre-tax price 10 years ago versus where we are now, that raises questions. Equally, our total tax on fuel is still the sixth-lowest in the OECD and you've seen huge variation now on the price since we were having that conversation some months ago and what people have seen now. And that's after we've, obviously, had the regional fuel tax and excise come in. I still think there are questions to be answered, and we're not going to step away from that, regardless of what's happened to the price since.

Media: When you say you're getting Ministers to do work in preparation, is that based on the assumption that the oil companies are fleecing consumers?

PM: Oh, that's based on some of the issues that have been raised around, look, the regional variation that you see. Some have already claimed that there's access issues, and so MBIE has acknowledged that might be an area where work could be done, and so just making sure that the department is in a good position to work quickly if the Commerce Commission gives them the nod that that is indeed an issue.

Media: Isn't that pre-judging the Commerce Commission's work?

PM: No, no. Of course, we've always said we need to make sure that that is indeed, you know, an area of concern. What I don't want is us to have a report in 12 months' time, and then be in a position where it takes us another 12 months to undertake work. So we won't get ahead of ourselves, but I do want us to be ready.

Media: Looking at the regional prices, it seems as though the oil companies are trying to equalise the Auckland fuel tax. Is that fair?

PM: Oh, I actually wouldn't argue that to be the case. I see significant variation in pricing. In some cases, there would have been periods, of time where Wellington, for instance, was paying a higher price than Auckland was, even with the regional fuel tax. So I think that regional variation is one of the issues that has prompted us to seek this work to be done.

Media: If you wanted to give people across-the-board relief, you could just put a freeze on the next two excise tax increases under your Government. Why not freeze that tax?

PM: Again, when you look at what we've seen in recent times, when we've seen huge variation—a decrease recently, coming off a high point—what I want to ensure is that, simply because we've seen that decrease now, we don't take our foot off the accelerator when it comes to investigating what's happening in our fuel market. There obviously have been significant changes in the last 10 years that goes well beyond anything that's happened in tax, and I want to get to the bottom of it.

Media: What's to stop the oil companies just keeping the price low and ironing out the regional differences for the next year while this study goes on?

PM: Oh, look, ultimately, the Commerce Commission is going to have the access they need to get to the bottom of any behaviour that might be going on.

Media: Are you convinced that the Auckland fuel tax isn't being spread from areas where there's significant competition to areas where there isn't?

PM: Hamish, I would only be speaking from anecdote, and I'm, you know, loath to do that but, as my colleagues will know, I've become somewhat obsessive in my observation of what's happening with fuel prices around the country, and I haven't seen that consistently occurring. But, look, anyone can produce probably any fuel price from anywhere that might demonstrate something different, but in some cases, you know, that might be down to an issue of competition; that's what we need the Commerce Commission to get to the bottom of.

Media: Is there any chance that you'd freeze excise tax?

PM: Look, as I've already said, we could've said, look, the 3½ cent excise won't go ahead, but we would be no better off, necessarily, in terms of investing in our roads, which is where all of that excise goes.

Media: So that means it definitely will go ahead?

PM: Well, even then we've seen in that recent period of time, when people have been seeking that, a significant drop much further back from what people have believed to have been excise increases. We need to keep in mind: excise goes directly to improving our roads,

to transport improvements, to safety improvements. We take that away, we remove our ability to continually do that work on behalf of our motorists.

Media: So that's a yes? Those excise tax increases will definitely go ahead?

PM: I need to get to the bottom of what's happening in our fuel market, and as people have seen with the recent changes, what they've seen change at the pump has not been all down to excise.

Media: How much will the inquiry cost?

Faafai: The Commerce Commission has a budget of \$1.5 million per annum to carry out the market study. They believe it will take up a fair chunk of that.

Media: Will it be entirely transparent, given the commercial sensitivities involved in some of this information?

Faafai: Sorry, could you repeat that question?

Media: Will the study be entirely transparent—will the public have access to the information—given that some of the stuff may be market sensitive commercial information?

Faafai: I'm sure that there will be some entities in that market who will, when we ask for information and they're compelled to give it—who may make requests for it to be kept confidential because of the market sensitivity around that. It's going to be a judgment call for the Commerce Commission to make, but we expect those requests to be made.

Media: So how many market studies can the Commerce Commission do at one time?

Faafai: It's obviously a new power. This market study is going to be significant given the size of the industry, but when we first scoped the market study, they said a small to medium market study could cost anywhere between \$500,000 to \$750,000, but this is a large one. The annual appropriation is \$1.5 million, and, as I say, they expect it to take up quite a big chunk of that. So this is the first one, and we expect it to keep the runway full for some time.

Media: So why not give them more so they can do other studies? Because many would say supermarkets, banks, insurance have also got problems.

Faafai: As I say, this is the first one. They are only just getting staff in order to fulfil this duty. I think we should let them get on with the first one. There are other areas of competition that there is concern about, but I think we should let this one get under way and see how they go. It's going to take 12 months. There's been comment about that already this afternoon, but I think that's about the right time to make sure we have a good look at this rather large market.

Media: You mentioned runways, so what are the next industries on the runway?

Faafai: We'll come to those decisions when we've had those decisions round the Cabinet table.

Media: Have you been getting a few tips from colleagues about what those industries might be?

Faafai: They've been very helpful.

PM: Of course, Ministers can nominate, but there's a process then that the Minister needs to go through.

Media: Will the Commerce Commission ever get to come up with one by itself, which is also a power you gave it?

Faafai: Yeah. Look, as you say, they can self-initiate, but we've chosen to choose this one because of the significance of the issues and concern for the Government. You know, we'll get this one out of the way and if they think there are other markets that need to be looked at they can self-initiate.

Media: Why are you not telling us about those other potential industries, though? You say, Prime Minister, that there's a process to go through, but you've promptly got ahead of that process by saying—

PM: I made my nomination very public, that is fair to say, but there is a process the Minister goes through. I made it public that I would be nominating the fuel industry.

Media: Don't you think it's ironic that the Commerce Commission is investigating lack of competition in the market when just a few years ago they allowed the biggest fuel company to buy the second-biggest fuel company?

PM: I'm not sure we want to, necessarily, relitigate decisions that they made in the past. But, ultimately, we are asking them, indeed, to look at competition issues. That is our expectation. We need to let them get on with the job, rather than reflecting on the history of what may have got us to this point.

Media: Prime Minister, just on another topic: what's your response to the open letter you received calling to double the addiction treatment funding starting with next year's Budget?

PM: Before we move on, can I just check if there's any more questions that may involve Minister Faafoi in any particular guise? Leaving that wide open. All right. Thank you. Sorry, that was "What's my response?"

Media: Yeah.

PM: Yeah, look, I absolutely share the concern that we quite obviously need access to addiction services in New Zealand—that we have emerging substances that we need to be dealing with now. Obviously, that's something that we have been grappling with as a Government, making sure that we have in place the services that are required, that they're effective, and also that we have the legislation that is required. So my message back would be that we are working really diligently on this issue and they will have seen, I hope, some of the messages we've been sending around wanting to deal with this as a health issue.

Media: Have they asked that you maybe consider their recommendations as part of Budget—

PM: They have—they have—and what I hope they will have heard is that we have said, for instance, that we want to make mental health a real priority, and the reason I point to that is that there has been work done around issues of both mental health and addiction treatment services. We will be releasing the inquiry tomorrow, and I think that will start that conversation around what is required. But we've already said that we expect in Budget 2019 for that to be a priority area.

Media: When New Zealand launched the anti-dumping investigation against Chinese steel, there were a number of repercussions from the Chinese against New Zealand exporters. Well, that was a relatively minor sort of thing. Do you expect that there will be repercussions as a consequence of the Huawei decision, which is much bigger?

PM: We have to make decisions via due process, and in the best interests of New Zealanders, their privacy, and their data. TICSA, the legislation that we have around capability and security, is designed to deliver just that on behalf of New Zealanders. It's a regulatory process. It means that regardless of the vendor that makes an application, the GCSB goes through a process, makes an assessment, gives their initial findings to the operator that has put in a notification, and then they're given an opportunity to mitigate against those findings. That's the process we're still in the middle of, so that process hasn't been completed. But I absolutely stand by the fact that we have this regulatory framework. It's there to support and protect the best interests of New Zealanders.

Media: But what about potential repercussions?

PM: Again, we have an independent foreign policy. We have regulatory frameworks that are there to protect New Zealanders. We need to, ultimately, prioritise that. It would be

hypothetical to say that we would need to deal with any wider ramifications, but, ultimately, we need to back the regulatory framework we have.

Media: The Wall Street Journal reported that the Americans were lobbying friends and allies to avoid Huawei just a couple of weeks ago. Were we one of those friends or allies lobbied?

PM: Again, I was asked whether or not I was directly lobbied. I've said I was not. Ultimately, we have legislation that was enacted, I believe, four years ago for the very purposes that we can go through a rigorous process. That means we assess an application independent of those issues and assess it in New Zealand's best interests.

Media: Do you think New Zealand is vocal enough in its independence when it comes to US-China relations?

PM: Oh, we absolutely maintain an independent foreign policy, and I think you'll hear me ad nauseam repeat that. New Zealand, I think, can take great pride in the fact that we do take an approach that is based on our national interests, that's based on our independence. And, regardless of who we're dealing with, that is the way that New Zealand has historically positioned itself and will continue to do so.

Media: The UN said over the weekend that up to a million Uighurs may well be imprisoned in China. What public stance, statements, has this Government made about that to China?

PM: Oh, look, one could ask whether or not it's more effective for me to stand here from a podium and make a statement or whether I should raise it directly with Premier Li. I raised it directly with Premier Li.

Media: But you do make statements about other countries when they've done things which are seen, by the UN, for example, to be outside the norm. Why don't you do the same for China?

PM: Bernard, I think by acknowledging the fact that I have raised the issue of the Uighurs directly with Premier Li, I wouldn't, of course, have done that unless that was of concern to New Zealand, and I've taken that opportunity at the highest level to raise that issue, that human rights issue. New Zealand has—as I've mentioned many times before, where we have human rights issues, we raise them directly. That's the way that New Zealand has operated for a number of years.

Media: Can I just clarify: did you say that you weren't personally lobbied by the US over Huawei? Was anyone in the Government lobbied?

PM: Oh, look, I haven't undertaken a check. For me, regardless of whether or not it was ever raised—

Media: It's worth checking out, isn't it—to see if any of your Ministers were lobbied?

PM: Well, look, regardless of whether it was raised, we have our own process. That was the basis of a decision—not whether or not anyone else raised it with us.

Media: Could the GCSB have been lobbied by the US—by the USA?

PM: Look, again, regardless, New Zealand has its own process that it applies that is down to New Zealand's national interests. It is a regulatory framework. That is the basis on which we make our decisions, not the opinion of others.

Media: But you're not ruling out New Zealand being lobbied by the US at some level?

PM: I'm saying regardless it would be immaterial to our process.

Media: Going into your meeting with President Moon in South Korea, is it New Zealand's current position that North Korea has been meeting its Singapore commitments to denuclearise?

PM: Do you mean in terms of upholding monitoring of sanctions, or which elements?

Media: Basically, the winding down its ability to manufacture and deliver a nuclear threat to the peninsula?

PM: Look, I anticipate that we'll probably have a wide-ranging discussion around progress towards the denuclearisation of the peninsula. There's no doubt that there has been a de-escalation in the tension, but we do need to make sure that we're still on a path towards verifiable denuclearisation. There is, I think, a live debate amongst the community as to whether or not at what level the sanctions continue to be monitored and maintained, or at what point there's an acknowledgment of some progress. So that's a discussion that's happening within the international community, but that's not a question I can answer now.

Media: So at the moment we've got an open mind about whether North Korea is moving in a direction of compliance or not?

PM: Oh, of course we need to see verifiable denuclearisation. You'll see that New Zealand has continued to support the monitoring of UN-supported sanctions. We've played a role in that because, obviously, we still see a place for those sanctions being upheld.

Media: Is there any indication from China that the FTA upgrade could be affected?

PM: No, again, I had a constructive conversation with Premier Li around progress on the FTA upgrade, and those conversations continue.

Media: Where was it at? It's been a while since we've had an update.

PM: Again, I imagine our negotiators are continuing on track. Of course, all trade negotiations do take some time, but I've had no suggestion that there's anything particularly problematic there.

Media: Have you had any advice that there've been any repercussions at the borders with China? Sometimes these things express themselves with bureaucrats not allowing anything through?

PM: No, I haven't had that suggestion. Again, I do want to highlight, though, of course TICSA sets out clearly a regulatory process. We still are part way through that. I want to make sure that that is made clear. So Spark has, obviously, been notified of the GCSB's initial decision. They then have the ability to go and seek mitigation, and that's the process that we're currently in the middle of.

Media: Shane Jones came out last week quite strongly against Air New Zealand's safety video, calling it juvenile and cringe culture. I was interested to get your take on it, what you thought of it?

PM: I know that you expect me to have an opinion on absolutely everything, at all times, but, I think, on this occasion I'm just going to be opinion-less.

Media: You've done some videos, like "Put New Zealand back on the map", and things like that. Have you ever—?

PM: Will I be doing an Air New Zealand safety video?

Media: Sure.

PM: I can't rap.

Media: That wasn't a yes or a no, though?

PM: There is no Air New Zealand safety video on the agenda for me, no.

Media: Have you been approached to do one?

PM: I don't believe so. I'd have to ask. I don't always get all of these requests.

Media: How concerned are you about the bullying allegations made against the Retirement Commissioner, Diane Maxwell?

PM: Look, we need to make sure that all workplaces deal with allegations appropriately. In this case, I understand the SSC is looking into this issue, and that sounds like an appropriate vehicle for that, to me. But, ultimately, that is a matter for them.

Media: Do you think there might need to be a wider look at how some of these commissions are structured, in terms of the fact that there are some who don't have any board to oversee them?

PM: Look, I think the SSC may be well placed to tell us whether or not that's an issue, but for now, as I say, they're the ones looking into this particular issue and if they see a systemic issue, I'm sure they'll advise us of that. Right, everyone, last question.

Media: How much is the cost blow-out on the Auckland Central rail loop, and what are the implications of that for ATAP and the light rail?

PM: I don't have details on that right in front of me at this time.

Media: I mean, there are suggestions that it could be getting in towards a billion dollars.

PM: For the CRL? I don't have precise details here with me at the moment, Richard, but we can come back to you, if you'd like. All right, thanks everyone.

Media: Can I just ask about the latest poll? Greg O'Connor was saying today that the drop from Labour came from the Karel Sroubek saga. Do you agree with that?

PM: Look, I'll just say, this won't be the first time that I've disagreed with my MP Greg O'Connor. All right. Thanks, everyone.

conclusion of press conference