

## POST-CABINET PRESS CONFERENCE: MONDAY, 8 OCTOBER

**PM:** Good afternoon, everyone. All right, let me first give you a quick overview of the coming week. Tomorrow, I will be in the Wairarapa with Minister O'Connor, providing an update on the Government's response to *M. bovis* and how we are tracking on eradication and the support we are offering to our rural community to bounce back from the disease and the impacts it has had. On Wednesday, I will be in Auckland with Minister Faafoi, where I'll be making an announcement alongside him around predatory lending. On Thursday, I'll be launching the Government's women and girls sport strategy, and on Friday I have various events in Auckland.

I want to make a few comments on the issue of fuel prices. There has been reporting in recent days on the price of fuel, and for good reason. I am hugely concerned at the level of price that consumers are currently paying at the pump for fuel. It is an unavoidable cost for many. The international price of crude oil has risen almost 30 percent just this year, but that doesn't tell us the full picture of what is going on in New Zealand. In 2008, we had one of the lowest pre-tax costs in the OECD. Today, New Zealand has the highest pre-tax cost for fuel in the OECD.

Between 2008 and 2017, the margins importers were taking for themselves more than doubled, from 7 percent to 16 percent. That increase represents a transfer of wealth from petrol consumers to producers to the tune of hundreds of millions of dollars a year. To break it down just a little bit further, between 27 October 2017 and 28 September 2018—this is where we have data—petrol prices have risen roughly 39c, of which 6.8c at that point could be attributed to taxes and levies; 22c, roughly, to importer costs; and 9.8c to importer margins. I do not see that as acceptable.

We also have different fuel prices between the South Island and Wellington versus the rest of the North Island. While there may be a slightly higher cost of transportation in the South Island, it is no way near equivalent to the difference in fuel prices now. Prior to the 2015, fuel prices were reasonably similar across the country, but by 2017, average gross margins in the South Island and Wellington had grown to almost 10c versus the rest of the North Island.

Now, nearly all countries in the OECD pay more than 50 percent of tax on the cost of fuel. That's the cost of Governments investing in infrastructure that we all need to use. Fuel excise in New Zealand is one of the lower ones in the OECD, around fifth-lowest. When we add excise and fuel cost together, our fuel prices are the 20<sup>th</sup> lowest out of 33 OECD countries, but I want to remind you again: pre-tax, as of today, we are the highest cost for fuel in the OECD, and some of that cannot be explained. I do not think that is acceptable.

Given the concerns about anti-competitive behaviour in the fuel market, we are going to be prioritising the passing of the Commerce Amendment Bill through second and third reading in the House when we resume next week. My expectation is that it will complete all stages by the second sitting week. This bill will create the ability to undertake market studies and will compel companies to produce information to the Commerce Commission to fully understand how markets are functioning.

Once the bill has been passed, there will be a one-month transition period before the Act comes into force. We're going to make use of that transition period. Minister Faafoi will seek nominations from fellow Ministers for possible market studies. I will be nominating the fuel market as a priority area. Minister Faafoi will then take a paper through Cabinet and have the terms of reference for that market study agreed, which he will then consult on. That is a statutory requirement. The study, I anticipate, will report back next year, and we will prioritise a response to it.

I want to acknowledge that we have been here before. The last Government tried to undertake such a review but struggled to get the cooperation of the fuel industry. That is why we are passing legislation that will allow us to undertake a full market study and will require their cooperation. I have Ministers with me if you have any further lines of questioning around that piece of work.

**Media:** Prime Minister, would you like to see petrol companies less profitable?

**PM:** Well, certainly, you cannot tell me that we do not have an issue in New Zealand when we have the highest pre-tax fuel price in the OCED and that it's gone up by such a significant amount, 39c in a year—39c. That's incredible. The importer margin has been part of that increase, and some of it we simply can't find explanation for. I don't think that is acceptable. New Zealand consumers, in my book, are being fleeced.

**Media:** Would you consider putting a temporary hold on the excise, the part that you can control, while this takes place?

**PM:** Yeah, and looking—as I've said, in the last year, a 39c increase. Excise has been a small, small part of that. The issue we have is even if we remove that excise, I cannot guarantee that fuel companies would not simply absorb that themselves and that consumers would pay the same price.

**Media:** Do you feel like there's been a bit of bad luck on your part, that there's been a lot of publicity around this excise, and do you feel like things are conspiring against you out of your control?

**PM:** Look, I think we have to look at the reality, and when you see that there has been, in such a small amount of time, a 39c increase for consumers, and we cannot find a good explanation for why they're paying that, it's up to us to do something about it. We've got to look at what's happening with the fuel industry. They haven't opened up their books to us in the past. We're going to have to force their hand.

**Media:** What do you hope the tangible outcome of the Comm Comm review will be?

**PM:** Well, we did—as I've said, we did have a piece of work that was undertaken in 2017. Now, that found that we "cannot definitely say that fuel prices in New Zealand are reasonable". Now, that study didn't go as far as they would've liked to have, but we do know that there are options available—for instance, regulating to force existing suppliers to provide fuel terminal access to new market entrants. That might in part explain what we see happening in Wellington. Wellington has a higher fuel price on average than what we're even seeing in Auckland. That's not reasonable. We need to do something about it.

**Media:** Do you think that fuel companies are engaging in anti-competitive behaviour?

**PM:** The reason we need to access this—to access what's going on amongst fuel companies—is to be able to answer those questions.

**Media:** So are you talking about greater competition—you're definitely not talking about price control?

**PM:** Well, the option that I've just set out is about greater competition, and we know that it's obviously had an impact, because you just have to look at the price differential between the South Island and Wellington and the likes of other parts of the country, including Auckland, which cannot simply be explained through transport costs.

**Media:** So the fuel companies would argue that the margins are just getting back to where they were before they fell to unsustainable levels in the early 2000s and that the profits are being used to update the infrastructure and make it safer. I mean, is there a danger here that you're going to push the fuel companies back into an unsustainable era, where they're not renewing their infrastructure?

**PM:** Yeah, I mean, this is a significant increase that we're seeing. If you're talking about from a refining perspective, my understanding is around 19c per litre since the start of the

year is simply around the landed cost—that's refining component, quality premium, New Zealand specifications, and shipping component. But that's an incredible increase in a very short space of time and not all of it can we find an explanation for. That's why the work of the Commerce Commission would be so important in being able to answer some of those questions.

**Media:** Has Cabinet decided whether to accept or reject the ACC's—

**PM:** Sorry—whether or not—

**Media:** Has Cabinet considered the ACC [*Inaudible*] levy?

**PM:** No.

**Media:** What do you say to people, though, these school holidays or gearing up for the summer holidays, wanting to go on a road trip, or the people trying to get to work—this doesn't really help them right now, does it?

**PM:** Not immediately, but we do need to do something about this—as I've said, a 39c increase, and yet we cannot demonstrate or tell New Zealanders exactly why that has happened here in New Zealand when, relative to the OECD, it hasn't. Yes, there's been a change in the dollar and the price of oil, but that doesn't go all the way to explaining what we are experiencing at the pump. So we've heard them. We've got to do something about it. We are going to move as quickly as we can to change the law so we can look at fuel companies.

**Media:** But your Government hasn't helped by putting a regional fuel tax in place in Auckland and also raising excise—

**PM:** But keeping in mind, we're talking 39c. Excise is 3.5. There's something much bigger going on here that, regardless of what's happening with excise, we should be looking at.

**Media:** AA wants you to take GST off fuel—I presume that's not an option?

**PM:** Again, it wouldn't answer all of the issues that we have here, and I couldn't hand on heart say that fuel companies wouldn't just gobble that up anyway.

**Media:** Just to clarify, will that go through urgency next week?

**PM:** My expectation is that we should be able to get it through in the first two weeks regardless, because it's at second reading.

**Media:** Do you have any other obvious options, apart from making competition easier?

**PM:** There is around transparency, ensuring that fuel wholesalers have post - terminal gate prices for petrol and diesel on display, regulating for contract terms between distributors and suppliers, and there's issues around vertical integration. So there are other options there, but, again, having the Commerce Commission look closely means that we can make sure that we finally target what's going to make the biggest difference.

I want to allow Ministers to make any additional comment on any of those areas. One covers the Commerce Commission and one, obviously, the energy markets.

**Woods:** Just on the issue of the lack of competition in the South Island and the Wellington region, one of the things that I've had MBIE, in parallel, doing some work on this as well. They've given me some advice about whether or not we could look at opening up terminals for greater competition. But, of course, we do now have the terminal being built at Timaru, which will allow new entrants to come into the South Island market, which we will be watching very closely to see if that aligns the pricing around the South Island more closely with what's happening in the upper North Island.

**PM:** Any other questions on fuel?

**Media:** Just on fuel, which company is responsible, do you think, for this increase in margins? It seems to have been closely aligned to the change to Z Energy.

**PM:** I'm not going to call that out specifically. That's what we're going to utilise the Commerce Commission for.

**Media:** Do you think the Commerce Commission made a mistake by allowing Z Energy to acquire Caltex?

**PM:** I'm not going to, again, make an individual comment on that. I think we need to look at the industry as a whole.

**Media:** Regarding the—you mentioned transparency, regulating contract terms, other options that we have. If you were to implement any of that, would that be post-market study, or would you hold that as a—

**PM:** Post-market study. We want to see what the Commerce Commission comes back with. We want to make sure that whatever we do, it's going to make the biggest difference possible for consumers.

**Media:** Should petrol companies be legally mandated to sell petrol at the same price in Auckland and—

**PM:** Again, I'm not going to pre-empt any of that. Of course, there will be transportation costs here, but what I'm saying is that there definitely seems to be an indication of there being a competition issue in the Wellington and South Island.

**Media:** Outside of the investigation, as a moral stance, do you think [*Inaudible*]—

**PM:** As a moral stance, I think New Zealanders are paying too much. All right, on other issues, then.

**Media:** Prime Minister, would you expect officials under your Government to shop out access to New Zealand's fresh water?

**PM:** No. I have to say, I've just been handed one of the documents that was used in July of 2005, which details aquifers that, for all intents and purposes, look like they might be for sale. West Coast—Franz Josef was listed as one of the pristine glaciers that overseas investors might come and want to take a stake in. I find it incredible that we would've been in that position in 2015, and absolutely unacceptable.

**Media:** How extensive was this issue at that time, and is it still continuing?

**PM:** Obviously, under this Government, you know, we've now said, under the work that we're doing with the OIO, that we consider that to be a highly sensitive issue. The notion that a past Government would've instead been promoting it when we're trying to discourage people from investing in that way for the purposes of exporting overseas seems incredible to me.

**Media:** NZTE's role, though, is to promote opportunities in New Zealand. Do you not see bottling fresh water as an opportunity?

**PM:** No. No, I do not.

**Media:** Where are you at in terms of your royalties on bottled water?

**PM:** Yeah, and that's something that Minister Parker will have a little bit more to say on down the track. We were looking at all of the options around how we could ensure that we do not see that ongoing bottling and export without there being any return or benefit to New Zealand, and there's a number of different mechanisms that could be used. But I think what you can take away is that far from wanting to promote it, we think there should be—New Zealanders have a much bigger stake in fresh water, and the idea of promoting it abroad just does not sit well with us

**Media:** What's the hold-up with the royalties, then?

**PM:** It does have some complexity around the kind of mechanism that you would use that ensures that we stick with the rules and obligations we have from a trade perspective.

**Media:** Given that we've done this for so long—well, I mean, given NZTE was doing this for so long—will you be, I guess, taking a look at all the opportunities NZTE is promoting overseas?

**PM:** We have really—you know, I have a fairly reasonable insight as to what they tend to promote now. Certainly, when we take trade missions and delegations abroad, that gives us a little bit of an insight as to where NZTE's focus is, and, certainly, this is not it now, but the fact that it once was I find very disturbing.

**Media:** On the Penlink road process, is using a Chinese company to build the road a perfect [*Inaudible*]?

**PM:** I don't have detailed information for you on that, Tova. I'd be happy to come back if you want to give me a little bit of time to look into that.

**Media:** One of the lawyers representing Meka Whaitiri wrote in a letter to the investigation that an email you had received about the issue that kind of brought it to everyone's attention was kind of a blackmail threat and had very threatening language in it. Would you characterise it that way?

**PM:** No. Look, that wasn't the basis on which I looked into this issue. I looked into this issue on the basis of it being raised by an employee.

**Media:** Was the email at all threatening?

**PM:** Look, regardless of how anyone would characterise it, it made no difference to the fact that I decided it needed to be looked into.

**Media:** Prime Minister, the so-called—

**PM:** There. Thank you—sorry.

**Media:** The so-called tampon tax—

**PM:** James used to do that, as well.

**Media:** I'm a bit taller than him.

**PM:** Really? It's marginal.

**Media:** The so-called tampon tax is set to be scrapped.

**PM:** Yeah, I heard about that.

**Media:** States and territories last week have agreed to remove the GST on sanitary products. Are you open to your Government adopting a similar approach here in New Zealand to make these products more accessible, more affordable, to New Zealand women?

**PM:** When it comes to the substance of the issue—accessibility and affordability—yes, we should be mindful of that and worried about that. We have NGO groups and charitable organisations who are, for instance, ensuring through—and who are supported by the Government to provide some of these—who are providing these products in schools, for instance. That's one thing we can do to overcome that barrier. Otherwise, though, we have no exceptions in our GST regime, and there are real benefits to that, and that's why we haven't looked at providing those kinds of exemptions.

**Media:** Just on Penlink again, it's a Chinese company offering to bankroll a road from Whangaparaoa to the Northern Motorway. What are the risks of perhaps being in debt to a Chinese company like that?

**PM:** Again, I would want to look at the detail of what's being proposed before I would make any comment on it.

**Media:** Your Government has been fairly critical of China's influence in the Pacific. Could this be seen as an example of that?

**PM:** Oh, we have examples of JVs across the country, but I don't want to specifically comment on any one in particular without looking at the detail.

**Media:** Last week, the Department of Internal Affairs came out and said that they were spending a million dollars on upgrading and maintenance for Premier House. Could you just provide a little bit of insight about what that might be [*Inaudible*] going forward?

**PM:** Yeah. My understanding is that there was a review undertaken before there was a change of Government around, particularly, the security provided at Premier House. So that was instigated before we came in and completed, I think, in 2017—I'd need to go and check. So, primarily, my understanding is that that funding was for a security upgrade around Premier House and, I think, some minor infrastructure issues, like, for instance, I believe that the leaking roof might've been included in that.

**Media:** Are you happy with the \$1 million price tag, or do you think that's—?

**PM:** Yeah, so I have asked for a breakdown as to what that's likely to be spent on. I've had a quick brief on what is included, but I'm waiting for a bit more detailed information. What it is fair to say is it's not a substantive restructure or redevelopment of the house itself. It's around security.

**Media:** What kind of security? Are we talking fences, electric wires, things like that?

**PM:** Yeah, before I get into too much of the detail of some of the security protocols around the house, let me first just go and get into that detail myself. I think the fact I'm asking questions means that I'm raising questions about that spend. But, you know, otherwise, I acknowledge that things like fixing the leaking roof were things that probably needed to happen. Possum stowage is our problem.

**Media:** Doesn't Premier House need an upgrade, though, and don't you need a brave Prime Minister to say, look, we've got to do that. It represents New Zealand to foreign dignitaries—

**PM:** Yes, yes, and yes.

**Media:** So would you look at that?

**PM:** I'm not looking at that currently, no.

**Media:** Why not?

**PM:** I will make sure we get the possums out of the roof, though.

**Media:** But isn't that important, because it is a little bit tired and shabby, and we're having—

**PM:** Do you mean the downstairs or the upstairs?

**Media:** I do mean the—well, I haven't seen the upstairs—

**PM:** Oh, actually, the downstairs is the good bit. Look, you know, I'd say, actually, I think the public-facing area of Premier House, which, you know, I'm very keen to constantly ensure is being utilised. It's utilised by Government departments, it's utilised by community groups, and that's as it should be. The downstairs, I think, is actually in pretty good shape, but there are a few maintenance issues that we need to keep on top of. Will I be refurbishing the bit I live in? Absolutely not.

**Media:** A Saudi journalist who's also an American resident was seemingly murdered after he walked into a Saudi embassy in Turkey earlier this week. This is a country we have a relationship with. Do you have any comments on that?

**PM:** Yeah. I have asked MFAT to make sure that they keep me briefed, and we share the concerns that are being raised by other countries, of course. We proudly maintain and uphold standards around human rights issues, and so, obviously, from that perspective, we'll be keen to hear how this issue develops as we have more information.

**Media:** A group of women have taken a human rights complaint regarding their access to abortion. Do you think there's a human rights issue in terms of women's rights to not be discriminated against on the basis of [Inaudible] basic medical care?

**PM:** Yeah. Well, look, whether you cut it from that angle or just generally around whether or not our legislation is fit for purpose, I agree that we do need to change the law. I've said that consistently. That's not a new position for me. It's in the Crimes Act; I don't think it should be, not in 2018.

**Media:** On the issue of the Crimes Act, the Law Commission's coming back in a month with recommendations—not recommendations, sorry; findings. You will presumably make some recommendation along those lines. Is there any indication of what that might be?

**PM:** Not yet, but we will of course be making them public.

**Media:** And it will be a conscience vote. Will you be putting pressure on your Labour Party MPs to vote a certain way?

**PM:** So the letter that we wrote to the Law Commission gave some pretty tight parameters around our expectations, removing it from the Crimes Act. My expectation is still, though, that we'd have a conversation with caucus around those findings, but there are obviously some strongly held views amongst some, but we are trying to of course ensure that what we're doing is really modernising the framework in New Zealand.

**Media:** Will modernising the framework fix the gender inequities of West Coast [Inaudible] fly to Christchurch three times to get the right kind of [Inaudible]?

**PM:** I would have to know a little bit more about what's happening there. If it's around specialist appointments or what it is around the availability of who makes themselves available for service, I'd have to know that before I could answer, but there are flow-on effects from fixing it in the Crimes Act, you would expect, around what would be required to fulfil the criteria from a health perspective to access rather than from a criminal justice perspective.

**Media:** You've made a little bit of comment around adoption law. Where's your thinking at?

**PM:** Yes. Same as it's always been, that the law is antiquated and needs to be fixed. The Law Commission did a piece of work over 10 years ago now, talking about how the law could be updated. It's based on 1950s legislation, where, predominantly, we had stranger adoption. It doesn't take into account, for instance, whāngai adoption. My hope from Opposition was to try and get that work started by having the Law Commission do that work, but that was unfortunately voted down. We probably would have a new bill by now had we done that. Instead now we are now asking the Ministry of Justice to include it in their work programme. I spoke just this morning with the Minister about that. It is on their work programme. It is complex though, so it is going to take them a little bit of time.

**Media:** So how quickly could something actually come in?

**PM:** Yeah, it won't be fast. Basic legislation can take a year. This is not basic legislation, so it will take a little bit longer, but it is on our work programme.

**Media:** On your clean water policy, how do you keep farmers happy, because if we want to visibly improve the water, don't we need to seriously change the way that we're farming?

**PM:** Yeah, and do you know what? I think the farming community knows that, and there is some excellent practice out there already around riparian planting, fencing of waterways, an acknowledgment that you can lift the value of what you're producing without necessarily intensifying. So from the conversations I've had from the farming leadership group, I'm greatly encouraged they share our ambition for improving the quality of our waterways in New Zealand.

**Media:** That's not across the board, though, is it?

**PM:** Oh, I think it would do a disservice to the farming community to indicate that there wasn't a desire to improve the quality of our water.

**Media:** But isn't a lot of that work already under way though—riparian planting, for example, it's been happening for years but we haven't seen a vast improvement in our water quality as a result of that, so, as Tova says, don't we need, I guess, sort of a kick to actually make a change?

**PM:** Yeah, and so, look, there are other things that are happening alongside that. We are investing more in compliance and enforcement for the small number that aren't fulfilling their obligations. We have invested in an overseer farming management tool, which is around measuring nutrient use. So that means we can go right down to individual farm management plans. So that's a tool that will help farmers achieve those goals as well. And, of course, there is the work that we're doing around the national policy statement and so on, which will talk about future intensification. So it's about building up a package. But, again, I do think that there is a shared ambition here. It will take a number of years for us to turn around what has been the degradation of our water and our rivers and to make them swimmable, but our first priority is to stop the degradation and then to work towards improvement.

**Media:** A big part of that package is a look at an allocation model, and Federated Farmers have said, basically, that they would never accept that. That was just a policy they would never be able to accept. Is this a limit of collaboration? I mean, you're not always going to be able to take these industry groups with you.

**PM:** No. I think there's still a conversation to be had. There are parts of New Zealand where, within existing catchment, where there'll be land that is underutilised and that doesn't have current access, and then areas that do. It's about having a conversation about what's fair as we move into a space where that land might be developed and utilised.

**Media:** The Japanese Prime Minister has said that his country would welcome the UK's entry into the CPTPP overnight. What's our position on that?

**PM:** Yeah, I mean, for us, as with all CPTPP nations, we're all subject to a renegotiation period if anyone wishes to come in. This is one of the bases on which we said it was better to be in rather than out, because, of course, there is the likelihood that markets we want to ensure we continue to have access to may wish to opt in. It's not automatic, though. So we do have the ability to argue from our individual perspective for things we want to protect and preserve through that process.

**Media:** But, as a principle, we would like them in rather than out?

**PM:** Oh, well, of course. We're driving towards ensuring that we're one of the first that has an agreement post-Brexit with the UK, so obviously we want to ensure we guarantee our trade links there. All right—last question.

**Media:** By having the allocation debate, are you concerned you're going to reopen the ownership debate?

**PM:** No. No. We've made our position on that clear. All right, thanks everyone.

### **conclusion of press conference**