

Inquiry into the use of parliamentary travel entitlements by Mr and Mrs Wong

This is an independent assurance
report about an inquiry carried out
under section 18 of the Public Audit
Act 2001.

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Auditor-General's overview

This report sets out our conclusions on our inquiry into the use of parliamentary travel entitlements by Mr and Mrs Wong, while Mrs Wong was a member of Parliament (MP).

In late 2010, the Parliamentary Service investigated this issue and concluded that there had been an element of private business activity on one leg of a trip to China, for which a parliamentary rebate had been claimed. Mrs Wong repaid the relevant portion of the rebate and resigned from Parliament. The Speaker abolished the travel entitlement under which a rebate was paid for private international travel by an MP and their spouse.

However, in early 2011 a member of the public came forward with information that appeared to contradict some of the conclusions reached in the earlier investigation. We therefore carried out our own inquiry to determine whether public funds had been used inappropriately.

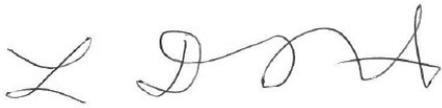
Our investigation did not reveal any pattern of wrongdoing by Mr or Mrs Wong, or of extensive business activity linked with overseas travel. While Mrs Wong was an MP, Mr Wong's primary role has been to support his wife in her political career. His personal business activity over the years has been limited.

From the evidence we have been able to gather, we have concluded that the parliamentary travel entitlements were appropriately claimed during Mrs Wong's years in Parliament in all but two instances:

- for the December 2008 trip to China (trip H) discussed above. The parliamentary rebate was paid for most of the trip, but Mr and Mrs Wong repaid the cost for the side trip to Lianyungang (\$237.20 each); and
- Mr Wong's June 2008 trip to Lianyungang (trip G) was for private business purposes and the rebate of \$1,520.25 should not have been claimed. We recommend that the Parliamentary Service consider what steps it needs to take to correct this situation.

In my view, the experience of Mr and Mrs Wong highlights the problems inherent in the current system that mixes remuneration and business expenses for MPs. The parliamentary travel entitlements are regarded as serving both purposes. This creates complexity and risk for all those dealing with these systems, including the administrators and MPs and their families. My Office has highlighted these problems repeatedly during the last 10 years. The Government has announced that it is preparing legislation to address these problems. I look forward to the introduction of a Bill so that public debate can begin on the shape of a new system.

I would like to acknowledge Mr and Mrs Wong's full co-operation with this inquiry.

A handwritten signature in black ink, appearing to read 'Lyn Provost', written in a cursive style.

Lyn Provost
Controller and Auditor-General

5 September 2011

Part 1

Background

- 1.1 In late 2010, questions were asked about the use of parliamentary travel entitlements by Hon Pansy Wong and her husband, Sammy Wong. The particular entitlements enable members of Parliament (MPs) and their spouses to claim a rebate for the cost of international travel, unless the travel is for private business purposes.
- 1.2 The Parliamentary Service administers these entitlements, which are funded through Vote Parliamentary Service and governed by the rules set out in formal Directions issued by the Speaker.
- 1.3 Information suggesting that Mr and Mrs Wong had been involved in private business activities on one of their trips to China became public in late 2010. On 12 November 2010, Mrs Wong resigned from her roles as Minister of Ethnic Affairs and Minister of Women's Affairs and asked the Speaker to review her use of the travel entitlements. The Parliamentary Service commissioned an immediate investigation into the use of the entitlements by Mr and Mrs Wong, and into other related matters.
- 1.4 The report from that investigation was released on 3 December 2010. It concluded that one leg of one trip had involved an element of private business activity, and the rebate of \$237.06 each should not have been claimed for that part of the trip. It found that all other claims during Mrs Wong's 14 years as an MP had been for parliamentary and personal travel and the relevant entitlements had been properly claimed.
- 1.5 Questions about the use of the entitlements by Mr and Mrs Wong continued after the release of the Parliamentary Service report, and there was public comment suggesting that the Auditor-General needed to carry out an inquiry.
- 1.6 On 14 December 2010, Mrs Wong resigned from Parliament.
- 1.7 On the same day, we published a report on our inquiry into the administration of expenditure in Vote Ministerial Services.¹ That report supported wholesale change to the systems for funding the salaries, allowances, and expenses of MPs and Ministers. Some changes had already been made or announced, including:
 - The Speaker had announced in late November 2010 that the entitlements to rebates on international travel would be abolished. This decision was supported by all parties in Parliament.

¹ Controller and Auditor-General, *How the Department of Internal Affairs manages spending that could give personal benefit to Ministers*.

- The Prime Minister had announced in early December 2010, in response to a Law Commission report on the Civil List Act,² that the Government would introduce legislation to move decision-making on parliamentary and ministerial expenses to an enhanced Remuneration Authority.

1.8 On 14 December 2010, the Auditor-General also issued a statement advising that she did not consider that further investigation into the Wongs was warranted at that point. We saw more benefit in working to implement the changes to the systems that would clarify the rules and their administration for the future.

1.9 In late December 2010, Hon Pete Hodgson MP wrote to the Auditor-General with further information and asked for another investigation. We were considering this request when a television channel screened an interview with Mr Steven Preest, a business associate of Mr Wong, who claimed to have documents and photographs showing that Mr Wong had been engaged in business activity on another trip for which the parliamentary rebate had been claimed.

1.10 We met with Mr Hodgson to ensure that we understood his concerns. We also met with Mr Preest, and confirmed that his information appeared to directly contradict some findings in the Parliamentary Service report. We decided that we needed to re-investigate whether public funds had been used inappropriately.

The scope of our work

1.11 We have looked at issues relating to international travel and other matters that were raised with us for the period 2005-10. Our aim has been to establish whether public funds were used appropriately and, in particular, whether any private business activity was carried out on trips for which a rebate was claimed from Parliamentary Service.

1.12 The Parliamentary Service investigation based its conclusions on explanations given by the Wongs for their Parliamentary Service-subsidised travel and the investigator's judgements about the reasonableness of those explanations given the other information available. The Parliamentary Service investigation was completed in about two weeks.

1.13 By contrast, our investigation was able to take a slower and more thorough approach. We did not rely solely on the Wongs' explanations. We also looked for evidence that would confirm or refute their explanations. Mr and Mrs Wong provided us with extensive information, including business and personal bank records, tax records, and credit card statements. We examined these to independently determine the extent of their business activities and sources of income. We then attempted to establish whether there was any indication that

² Law Commission, *Review of the Civil List Act 1979 – Members of Parliament and Ministers*, NZLC R119, December 2010.

business revenue was connected to, or business expenses were incurred during, travel that attracted a Parliamentary Services rebate.

- 1.14 We also took a wider interpretation than the Parliamentary Service investigation of what constitutes travel for business purposes. The Parliamentary Service investigation concentrated on Mr Wong's existing business interests, primarily some named companies and existing sales and consultancy activity.
- 1.15 By contrast, we looked for evidence of any activity that incurred business expenses or which was undertaken with the intention of generating income, whether or not income actually resulted. That activity did not need to be linked to existing business interests or companies.
- 1.16 Our approach broadly aligned with that of Mr Wong. He explained to us that he defined business activities as undertakings that either directly generated fees and revenue or that were intended to generate future business opportunities and revenue. He did not consider general discussions relating to, or about, business opportunities or conversations of general business to be business activities.
- 1.17 We acknowledge that the lines between networking, discussing business generally, speculating about business opportunities, and actively marketing a business or service are not clear-cut. We concentrated on whether there was evidence of any activity by Mr Wong that was related to his known business interests, or was otherwise clearly carried out for the purpose of generating business income, while he was on trips subsidised by the parliamentary rebate. In particular, we checked Mr and Mrs Wong's business and personal financial records against their explanations for their travel to see whether there were any inconsistencies.
- 1.18 As well as Mr and Mrs Wong providing us with comprehensive personal financial information and their recollection of the various trips they had taken, the Parliamentary Service provided us with all documents that had been gathered for the initial investigation. We also met with and questioned Mr and Mrs Wong.
- 1.19 Our review of documents, discussions with Mr and Mrs Wong, and confirmation of facts through our own research, provided us with sufficient information to form conclusions. We did not see a need to go further and interview other people or gather information from overseas.

The financial information we reviewed

- 1.20 Our request for detailed information about Mr and Mrs Wong's travel and for comprehensive financial records led Mr and Mrs Wong to carefully review their financial information for this whole period. Mr Wong told us that he had

identified a small number of instances where he had incorrectly recorded some private expenses as business expenses. He has taken steps to reverse these errors.

- 1.21 We also found a number of other book-keeping errors, gaps, and inconsistencies in the financial information we reviewed. These deficiencies were not significant for our work. The state of the financial records, and the volume and value of the transactions, was consistent with the finding in the Parliamentary Service report that Mr Wong's primary role has been to support his wife in her political career, and that his business activity over the years has been limited. The financial information we have reviewed confirms that business activity was not a significant focus for Mr Wong during these years.

Part 2

The legal and financial system for parliamentary travel entitlements

- 2.1 Both the Civil List Act 1979 and the Parliamentary Service Act 2000 give the Speaker power to issue formal Directions which set various entitlements and services to be provided for MPs.

The domestic travel entitlement

- 2.2 For domestic travel, the Directions state that an MP's travel costs will be met for any air travel on a scheduled service in New Zealand, irrespective of the purpose of the travel. The spouse or partner of an MP has the same general entitlement, but cannot use it if the travel is for private business purposes. This general entitlement for all MPs and their spouses has been in place for many years, and continues.

The international travel entitlement

- 2.3 The system is more complex for international travel. Until late 2010, MPs and their spouses were entitled to have a portion of an international airfare (referred to as a rebate) paid by the Parliamentary Service. The percentage of the entitlement increased according to the number of years that the person served as an MP. In simple terms, the entitlements were:

- no rebate during the first term of Parliament (3 years);
- 25% rebate after one term (3-5 years in office);
- 50% rebate after two terms (6-8 years in office);
- 75% rebate after three terms (9-11 years in office); and
- 90% rebate after four terms (12 or more years in office).

- 2.4 The rebate was not available if the airfare was paid from other public funds or another source, or if the travel was for private business purposes.

- 2.5 Although there were minor adjustments to the rules over the years, this basic system had been in place for many years.

- 2.6 The Speaker abolished these international travel entitlements for private travel for MPs and their spouses in November 2010. They have been replaced by a more targeted entitlement to have some costs met for international travel relating to parliamentary business.

How the Remuneration Authority sets the salaries

- 2.7 In 2003, the Remuneration Authority set out its approach to setting parliamentary salaries under the system established by legislative amendments in late 2002.³ In summary, it established an appropriate total remuneration level for an ordinary MP, using job evaluation data and comparative information. The Authority regarded this as a gross figure, and deducted the value of personal benefits the

³ Parliamentary Salaries and Allowances Determination 2003.

MP would receive through the parliamentary expenses and support systems to arrive at the amount of salary that should be paid. It valued the personal benefits by using data on the previous year's average use of the travel entitlements and made a standard deduction for all members.

- 2.8 The relevant deductions that the Authority decided on in 2003 are set out in Figure 1.

Figure 1
Remuneration Authority deduction calculations for Members of Parliament in 2003

	Average cost for an MP	IRD assessment of personal benefit	Amount of deduction from remuneration
MP's domestic air travel	\$30,296	5%	\$1,500
Spouse's domestic air travel	\$7,516	45%	\$3,400
Private international air travel (current MPs and spouses)	\$5,780	100%	\$5,800
Total deduction			\$10,700

Source: Parliamentary Salaries and Allowances Determination 2003.

- 2.9 The Remuneration Authority has applied similar principles each year since 2003. Although it has varied the exact approach over time and moved away from such a precise calculation, it still takes account of the travel entitlements as it sets a uniform salary for all MPs. This system does not enable it to take account of an individual MP's personal circumstances or use of the entitlements.
- 2.10 The estimated personal value of the entitlements has varied each year, depending on calculations of average use the previous year. Figures provided to us by the Remuneration Authority showed fluctuation between about \$8,000 and \$15,000 between 2003 and 2010. One reason for departing from a precise calculation of an annual deduction has been to smooth the effect of changes and avoid sharp fluctuations in base pay.
- 2.11 After the Speaker abolished the international air travel entitlements in November 2010, the Remuneration Authority reviewed the salary it had set for MPs. In December 2010, it made an interim adjustment and increased the base salary by \$2,000 for each MP. It also indicated that it might make further adjustments once the new international travel arrangements were established and as the economic situation changed. It has since decided to make no further change.

The net effect for Mrs Wong

2.12 To show the system's practical effect, we attempted to calculate the personal benefit the Wongs received through these travel entitlements (using the IRD estimate of personal benefit), and compared it with the approximate personal value of travel entitlements that had been taken into account when setting an MP's salary over the same period.

A five-year snapshot

2.13 The first calculation we did was for the financial years 2003/04 to 2007/08. This was the period between the Remuneration Authority's system coming into force in November 2003 and Mrs Wong becoming a Minister in November 2008 (because Ministerial salaries are calculated differently). By this stage, Mrs Wong had already served two terms in Parliament and was entitled to a rebate of 50% then 75% on private international travel.

2.14 The comparison between what is allowed for at a general level in the salary-setting process and the value received by any individual MP in a particular period is unlikely to ever produce an exact match. Our calculation showed that, during these five financial years:

- Mrs Wong received personal travel benefits worth about \$70,000; and
- when setting MPs' salaries, the Remuneration Authority took account of estimated personal travel benefits worth about \$60,000 for each MP.

Figure 2
Comparison of the personal value of travel entitlements as assessed by the Remuneration Authority and received by the Wongs

	Personal value of Mrs Wong's domestic travel (5% of cost) \$	Personal value of Mr Wong's domestic travel (45% of cost) \$	Personal value of international travel rebate (100% of rebate cost) \$	Total personal value of travel \$	Estimated personal value of travel taken in account by Remuneration Authority \$
2003/04	1,717	3,696	-	5,413	8,079
2004/05	1,616	4,374	2,529	8,519	9,252
2005/06	1,468	3,693	16,030	21,191	12,515
2006/07	1,706	3,279	24,852	29,837	14,958
2007/08	1,686	2,058	1,520	5,264	14,271
Total	8,193	17,100	44,931	70,224	59,075

Source: Information on the cost of travel by Mr and Mrs Wong is taken from the Parliamentary Service's financial records. The Remuneration Authority provided the information on the estimated personal value considered when setting salaries.

The overall picture

- 2.15 We did not regard this calculation as giving a fair overall picture because it excluded Mrs Wong's first two terms in Parliament, when she had received a much lower level of benefit from the international travel rebate system. We therefore did a second, broader calculation to produce an approximate figure for her 14 years as an MP. This is only an approximation, because it does not reflect that a different salary-setting system operated until 2003, or that the amount that the Remuneration Authority allows for varies each year.
- 2.16 We used the figures published in the 2003 Remuneration Authority determination, as an approximate mid-point in Mrs Wong's time in Parliament. We applied the IRD estimates of personal value to all travel taken by Mr and Mrs Wong, and we applied the \$10,700 deduction figure that the Authority used in 2003 to the whole 14 year period. The result was that between 1996 and 2011:
- If the same system had been operating throughout the period, the salary-setting authority would have taken into account an estimated personal benefit of about \$150,000.
 - Mrs Wong received personal travel benefits worth about \$115,000 (\$35,000 less than would have been estimated when setting her salary).
- 2.17 This context does not mean that compliance with the rules is any less important. We set out this context simply to acknowledge that, to the extent that this entitlements system is regarded as "a perk", it is one that the remuneration system broadly allows for when setting salaries.
- 2.18 However, the criticisms of the system that we and others have previously voiced remain, namely that it is insufficiently transparent and overly complex. It also operates unfairly in that there is a flat adjustment to all salaries, irrespective of the individual's use of the entitlements. High users of the personal and spousal travel entitlements obviously benefit, while low users, arguably, are penalised. MPs who serve only one term carry the costs but never receive any benefits. We acknowledge that the Speaker has now changed the international travel entitlements so that they are no longer available for private travel.

Part 3

Mr and Mrs Wong's international travel

Summary of the Wongs' travel

- 3.1 Between 1996 and the end of 2010, while Mrs Wong was an MP, she and her husband travelled overseas many times. The Parliamentary Service report identified a total of 33 trips. This total includes:
- nine trips by Mrs Wong on ministerial business (paid for by Ministerial Services);
 - nine trips by Mr Wong on private business activities (paid for privately);
 - two inaugural flights (one of which Mrs Wong paid for personally);
 - 13 private trips for which a parliamentary rebate was claimed (five trips together, five trips by Mr Wong, and three trips by Mrs Wong).
- 3.2 We concentrated on the 13 private trips for which a parliamentary rebate was claimed. From the documentary information and reasons for travel, we were rapidly able to satisfy ourselves that there was no reason to question four of these trips.
- 3.3 There were nine of these trips where the conclusions in the Parliamentary Service report had been called into question as a result of the later information we had received. We asked Mr and Mrs Wong for detailed explanations of these trips, and analysed their financial records to test those explanations. These trips are summarised in Figure 3.

Figure 3
Overseas trips that we examined

	Date of travel	Destination	Who travelled	Reference in Parliamentary Service report
A	March-April 2005	Shanghai, Hubei, Kunming	Mr Wong	Trip 1
B	June-July 2005	Fuzhou, Shenzhen	Mr Wong	Trip 2
C	November 2005	Hong Kong	Mr and Mrs Wong	Trip 3
D	December 2005-January 2006	Travel around Asia	Mr and Mrs Wong	Trip 5
E	September 2006	Seoul, Dalian, Beijing	Travel together and separately	Trip 6
F	November 2006	Shanghai	Travel together and separately	Trip 7
G	June-July 2008	Shanghai	Mr Wong	Trip 10
H	December 2008-January 2009	Travel around Asia	Mr and Mrs Wong	Trip 11
I	November-December 2009	Singapore	Mr Wong	Trip 12

3.4 The remainder of this Part sets out our findings on each of these trips.

Trip A

3.5 In March 2005, Mr Wong travelled to China, where he visited Shanghai, Hubei, and Kunming. The Parliamentary Service report described this trip's purpose as being to investigate the origins of the Wong clan in Hubei province and to visit friends in China. The visit to Kunming (in the west of China) was to play golf and visit tourist sites.

3.6 Mr Wong told us that he arrived in Shanghai on 15 March 2005, where he stayed with friends. He then visited Huang Cheng, or Wong city, in Hubei province, where he researched the origins and migration history of the Wong clan. This research took him to Fuzhou in Fujian province, where his parents had lived as children. He then visited friends in various locations and concluded by travelling to Kunming, a well-known golfing destination. He returned to New Zealand on 19 April 2010.

3.7 Mr Wong's credit card statements confirm his movements, and when we met with him he was able to provide a detailed account of his travel and investigation of his family roots. Although one of the book-keeping errors discussed in paragraph 1.20 related to an expense on this trip, we found no other evidence to suggest that there was any business activity on this trip. Nor did we find any evidence of business revenue related to this trip.

3.8 From the information available to us, we have concluded that the parliamentary rebate was appropriately claimed for this trip.

Trip B

3.9 In late June 2005, Mr Wong travelled to Fuzhou and Shenzhen in China. The Parliamentary Service report describes this trip's purpose as being to trace genealogy and visit family. Mr Wong told us that his parents were both born in Fuzhou and he was continuing his research into the family history, including visiting the Fujian Wong Clan temple in Fuzhou.

3.10 While he was in Fuzhou, Mr Wong attended a ceremony at the premises of Alpha International Biotechnology Group (Alpha Group). Dame Jenny Shipley also attended. Given that Mr Wong and Mrs Shipley had established a company together in 2002 to explore business opportunities in China, we wanted to know whether there was any business connection.

3.11 Mr Wong told us that the founder of the Alpha Group was a long-term friend of his in Auckland, and he was invited to attend the ceremony as a personal friend. Dame Jenny Shipley attended separately. She was invited through a different business connection.

- 3.12 Mr Wong also told us that, although he had established a company with Dame Jenny Shipley in 2002, they had never established any business activity. On separate trips, he had explored some possible opportunities with her, but they had not come to anything. There was no activity in his financial statements to suggest otherwise.
- 3.13 Dame Jenny Shipley confirmed to us that she attended and spoke at this ceremony as a representative of another company. Mr Wong's presence there was not connected to hers. She also confirmed that she and Mr Wong have not carried out any business projects together.
- 3.14 Through our own research, we were able to confirm that the Alpha Group has strong New Zealand and Chinese connections. The Group's chairman, Professor Gao, is well known in New Zealand. There are a range of personal and business connections between people involved in the company and people in New Zealand.
- 3.15 We looked for any evidence that might suggest that there was business activity on this trip or that it resulted in business revenue. The financial information we were given showed that Mr Wong received three payments from Alpha Group in 2010. Mr Wong explained that he began acting as an agent for Alpha Group from November 2010 and the payments were commission. This explanation corroborates other sources. We are satisfied there is no connection between this trip and the payments received more than five years later, in 2010.
- 3.16 From the information available to us, we have concluded that the parliamentary rebate was appropriately claimed for this trip.

Trip C

- 3.17 In November 2005, Mr and Mrs Wong travelled to Hong Kong. The Parliamentary Service report described this trip as being for Mrs Wong to attend an overseas Chinese politicians' forum organised by the Chinese government, and for them to visit friends.
- 3.18 Mrs Wong had migrated to New Zealand from Hong Kong, and told us that she has many friends there. While Mrs Wong attended the forum, Mr Wong visited friends and went sightseeing in Ningbo and Shenzhen.
- 3.19 Although one of the book-keeping errors discussed in paragraph 1.20 related to an expense on this trip, we found no other evidence to suggest that there was any business activity on this trip. Nor did we find any evidence of business revenue related to this trip.
- 3.20 From the information available to us, we have concluded that the parliamentary rebate was appropriately claimed for this trip.

Trip D

- 3.21 In December 2005 and January 2006, Mr and Mrs Wong travelled to several different places in Asia, including Singapore, Malaysia, Thailand, and Taiwan. The Parliamentary Service report described this trip as being to visit family and have a holiday.
- 3.22 Mr and Mrs Wong told us that this trip was an extended Christmas holiday. They visited family in Malaysia, and were sightseeing and visiting friends in the other destinations. We found no evidence of business revenue, expenses, or activity relating to this trip.
- 3.23 From the information available to us, we have concluded that the parliamentary rebate was appropriately claimed for this trip.

Trip E

- 3.24 In early September 2006, Mr and Mrs Wong flew together to Seoul, through Singapore. The Parliamentary Service report explains that Mrs Wong was attending a conference in Seoul. Mrs Wong returned to Auckland a week later, and Mr Wong travelled on to Dalian and then Beijing in China. He visited a range of places, concluding with Hong Kong. He returned to New Zealand from Hong Kong at the end of September.
- 3.25 Mr Wong told us that he had wanted to visit Dalian because it is a well known destination and it is near Seoul. He told us that the rest of his travel was a mix of sightseeing and visiting friends.
- 3.26 We specifically asked whether he had any connection with Dalian Locomotives, or the company China North Rail (CNR), or had visited either while in Dalian. We did so because of the speculation that Mr Wong had a connection with the rail industry and because CNR has done some business in New Zealand. Mr Wong told us that he had no connection with the companies and had not visited them while in Dalian. We note that nothing in his financial information suggested a connection with any of these businesses.
- 3.27 Although one of the book-keeping errors discussed in paragraph 1.20 related to an expense on this trip, we found no other evidence to suggest that there was any business activity on this trip. Nor did we find any evidence of business revenue related to this trip.
- 3.28 From the information available to us, we have concluded that the parliamentary rebate was appropriately claimed for this trip.

Trip F

- 3.29 In November 2006, Mr and Mrs Wong were invited to take part in an Air New Zealand inaugural flight to Shanghai. Mr Wong travelled on the flight as a guest of Air New Zealand, but Mrs Wong chose to travel personally and use her parliamentary rebate rather than accepting a gift. They both travelled in China before returning to New Zealand through Hong Kong.
- 3.30 We found no evidence of business revenue, expenses, or activity relating to this trip.
- 3.31 From the information available to us, we have concluded that the parliamentary rebate was appropriately claimed for this trip.

Trip G

- 3.32 Mr Wong travelled to China in June 2008, flying in and out of Shanghai. He stayed two weeks. The Parliamentary Service report described this trip as being to visit friends in China.
- 3.33 Mr Wong's main business activity in China at this time involved a hovercraft factory in Lianyungang. Mr Wong had helped a New Zealander (Mr Preest) establish the factory with a Chinese business partner (Mr Yang) early in 2008. Mr Wong had introduced Mr Preest and Mr Yang to each other. Mr Wong was a minority shareholder and chairman of the board.
- 3.34 Mr Wong told us that he had no specific recollection of this June 2008 trip. For the Parliamentary Service investigation, he had contacted Mr Yang in China to ask him to confirm when he had visited the factory in Lianyungang. Mr Yang's emailed reply, on 17 November 2010, listed six trips, in:
- July 2008;
 - September 2008;
 - December 2008;
 - April 2009;
 - September 2009; and
 - May 2010.
- 3.35 No parliamentary rebate had been claimed for any of these trips.
- 3.36 The release of the Parliamentary Service report on 3 December 2010 prompted Mr Preest to contact Mr Wong and others to dispute the conclusion reached on this June 2008 trip. Mr Preest said that Mr Wong had been working with him on this trip.

- 3.37 Mr Yang then provided an affidavit to the Parliamentary Service investigator, dated 20 December 2010, in which he stated that Mr Wong visited the factory four times – in late July 2008, mid-December 2008, March 2009, and September 2009.
- 3.38 We have considered the inconsistency between these two lists. We are satisfied that there was no trip in September 2008, based on the information in the Parliamentary Service report on the travel booked through the Service and the investigator's review of Mr Wong's passport. We do not regard the inconsistency between the documents relating to the trip in March/April 2009 as significant. We also confirmed that Mr Wong did make a trip to China in May 2010. We do not know why this was not listed in the affidavit.
- 3.39 We met with Mr Preest and obtained copies of extracts from his personal diaries (which were very detailed), as well as copies of photographs that were dated as having been taken in these two weeks. The information Mr Preest gave us showed that Mr Wong was in or around Lianyungang and involved in detailed business activity for these two weeks.
- 3.40 We presented Mr Wong with the documentary evidence provided to us by Mr Preest about Mr Wong's alleged visit to the hovercraft factory in Lianyungang in June 2008. Mr Wong told us that he still had no recollection of specific details of this trip. There was no relevant information in his financial statements about where he was during this period.
- 3.41 We have concluded from the evidence provided by Mr Preest that Mr Wong did visit the hovercraft factory in Lianyungang in June 2008, and we were able to corroborate Mr Preest's claims with information on the Supreme Hovercraft website, which referred to Mr Wong's presence at the factory on 21 June 2008.
- 3.42 From the information available to us, we have concluded that this trip was for private business purposes and the parliamentary rebate of \$1,520.25 should not have been claimed. We recommend that the Parliamentary Service consider what steps it needs to take to correct this situation.
- 3.43 The next trip to Lianyungang, in late July, is discussed in the Parliamentary Service report. Both Mr and Mrs Wong flew to Beijing as guests of Air New Zealand on an inaugural flight and then travelled to a range of places, including Lianyungang. They went to Lianyungang to visit the factory and for Mr Wong to work with Mr Preest and Mr Yang. No rebate was claimed for this trip.

Trip H

- 3.44 In late December 2008, Mrs Wong flew from Auckland to Beijing, where she met Mr Wong. Together, they flew to Lianyungang, before going on to travel elsewhere in China, Singapore, Kuching, Sibiu, and Kuala Lumpur. The Parliamentary Service report described the purpose of this trip as being to visit family in Sibiu, friends in China, and a floral festival in Lianyungang.
- 3.45 The Parliamentary Service report examined this trip in detail, and concluded that there was a business element to the trip from Beijing to Lianyungang. Mr and Mrs Wong have repaid the relevant part of the rebate that was claimed.
- 3.46 We also asked about a signing ceremony for a Memorandum of Understanding that Mr and Mrs Wong attended in Lianyungang, for the company New Zealand Pure & Natural Limited. Given that Mr Wong is a shareholder in this company (as is Mr Yang), we asked whether he regarded it as a business activity, and why they had not mentioned it in the Parliamentary Service investigation.
- 3.47 Mr Wong told us that the company is a shell company only. It does not trade and has no physical office. He explained that a ceremony of the kind they attended, where a Memorandum of Understanding is signed, is a common occurrence in China and is largely a public relations exercise or courtesy. It is in effect a declaration of friendship, and does not create any binding agreement, or indicate any intention to do business together or follow up the relationship. He had not recalled the ceremony or given it any significance until it was raised in this process.
- 3.48 Other than the matters already discussed in the Parliamentary Service report, we found no evidence of business revenue, expenses, or activity relating to this trip.
- 3.49 From the information available to us, we have concluded that the parliamentary rebate was appropriately claimed for remainder of this trip.

Trip I

- 3.50 In November 2009, Mr Wong booked travel to Singapore. A parliamentary rebate was initially claimed for this trip, but the costs were then reimbursed by Sampan Enterprise Limited, which is the company Mr Wong uses for his business activities.
- 3.51 We asked him about the change in payment arrangements for this trip. Mr Wong explained that he had originally intended to attend a school reunion in Kuching, Malaysia, before visiting family in Sibiu. He booked this travel using the parliamentary rebate. After the booking was made, he was contacted by a company he had been working with in Vietnam, to arrange a meeting with him

in Singapore. Mr Wong therefore reimbursed the travel between Auckland and Singapore and treated it as a business expense.

- 3.52 Because of the reimbursement, there was no use of public money for this trip. We have no reason to doubt that what may have begun as a private trip later included a business element, and we are satisfied that Mr Wong responded to the change in circumstances appropriately.

Visits to schools in China

- 3.53 The Parliamentary Service report referred to Mr Wong's company, Sampan Enterprise Limited, providing services as an education agent. Sampan Enterprise Limited has held agencies for Massey University, Auckland University of Technology, and Lincoln University, and has worked with ISIC International Student Service Center Corporation Limited (ISIC) in providing potential students with information and advice about studying at universities in New Zealand. The report states that the agency has focused on placing international students who are already in New Zealand.
- 3.54 We have been provided with information from websites in China documenting Mr Wong's visits to two schools and one kindergarten. We have established that two of these three visits took place during trips for which no Parliamentary Service rebate was claimed. The date of the third trip, when Mr Wong was accompanied by a member of ISIC, is unknown. However Mr Wong told us that he recalls catching a long-distance bus from Shanghai international airport to Nanjing on that trip. None of the trips for which a parliamentary rebate was claimed involved travel from Shanghai to Nanjing.

Our overall conclusion on international travel

- 3.55 Our investigation did not reveal any pattern of wrongdoing by Mr or Mrs Wong, or of extensive business activity linked with overseas travel. From the evidence we have been able to gather, we have concluded that the parliamentary travel entitlements were appropriately claimed during Mrs Wong's years in Parliament, in all but two instances:
- for the December 2008 trip to China (trip H), the position reached in the Parliamentary Service report was appropriate. The parliamentary rebate was paid for most of the trip, but Mr and Mrs Wong repaid the cost for the side trip to Lianyungang (\$237.20 each); and
 - Mr Wong's June 2008 trip to Lianyungang (trip G) was for private business purposes and the rebate of \$1,520.25 should not have been claimed.

Part 4

Other issues

Domestic travel

- 4.1 The Parliamentary Service investigation covered domestic travel as well as the international travel rebate. We noted that Mr Wong's use of the spousal travel entitlement was reasonably high in some years, although overall his use was broadly in line with the average cost of travel by other spouses. In particular, there was a period when he travelled frequently between Auckland and Christchurch.
- 4.2 We reviewed the various directorships Mr Wong holds, and sought information from him to enable us to check whether there was a possibility that some of his travel might relate to business meetings. Because we reviewed bank statements, we were also able to check what payments were received for board meetings or similar work.
- 4.3 We found no evidence to link his domestic travel with his business activities. We are satisfied that Mr Wong's domestic travel was personal. The high level of travel in some years was largely because of the Wongs' domestic situation while Mr and Mrs Wong made the transition from their family home in Christchurch to Auckland, where Mrs Wong's constituency seat was.

Involvement with the rail industry

- 4.4 There has been speculation in the media that there may be some connection between Mr Wong's Chinese business links and the way in which KiwiRail has been carrying out its activities – in particular, its interaction with Chinese suppliers. Particular concern was expressed about a major tender that KiwiRail recently conducted.
- 4.5 We sought information from KiwiRail about the tender process and on any contact the organisation had with Mr Wong. We also asked Mr Wong what connections, if any, he had with the rail industry in New Zealand and China.
- 4.6 Mr Wong told us that his only contact with the industry had been in 2005 when he introduced two Chinese acquaintances to a person he knew in Toll NZ, the company that at that time was operating the rail network. The two businessmen were from Pacific Power Development (NZ) Limited, which he understood acted as an agent for the Chinese train company, CNR. Mr Wong acted as interpreter for an initial meeting between them. He did so simply as a favour, and did not seek payment.
- 4.7 Mr Wong told us that he has had no other contact with the rail industry in New Zealand or China. Our review of his financial information did not show

any relevant business activity. Representatives from KiwiRail also told us that they were not aware of any contact between the organisation and Mr Wong. KiwiRail deals directly with relevant Chinese companies and has no need for intermediaries. KiwiRail also explained to us how the recent tender was conducted.

- 4.8 We are satisfied that there is no connection between Mr Wong and his business links and KiwiRail's procurement activities and interaction with Chinese suppliers.