



CONSUMER COUNCIL OF FIJI

# **2014 National Budget Submission**

August 2013

## INTRODUCTION

The Consumer Council of Fiji (hereinafter referred to as ‘the Council’ or ‘CCF’) is pleased to make a submission to the Fiji Government for its 2014 National Budget consultation. The Council is the statutory representative of consumers in Fiji, the largest socio-economic group whose economic well-being is an important indicator of economic stability and development. As a statutory body established under the *Consumer Council of Fiji Act 1976*, CCF is mandated to represent consumers’ views, concerns and issues. The Council has the legal duty to ensure that the most disadvantaged and poor consumers are not marginalised by economic policies. The Council views the Budget as an important forum which has implications for consumers. CCF mainly functions as a watchdog to create a fair and just delivery of goods and services in the marketplace.<sup>1</sup>

### 1.1 Issues for consideration in the 2014 National Budget

In formulating the 2014 National Budget, the Council urges the Government to consider the increasing cost of living and how some mitigating actions can be undertaken to provide relief to consumers. CCF calls on the Government to carefully scrutinize past budget policies relating to duty reductions on certain goods and whether consumers have benefitted through a reduction in retail prices. The Budget should provide relief to vulnerable Fijians by ensuring affordable prices of basic goods and services. Consumer spending is one of the principal drivers of the domestic economy as acknowledged by the Reserve Bank of Fiji. Policies should thus be geared towards facilitating consumer spending. Government should also ensure that Fiji continues to develop its consumer protection regime through reforms in legislation, regulation and redress systems. Consumer protection is not anti-business, but a countermeasure against ‘bad business’. The view that regulation in Fiji adds to the cost of doing business is weak and often promoted by those who stand to gain from unscrupulous profiteering. The Council has intimate knowledge and experience of the problems that consumers face in the market place as it is the main recipient of complaints and undertakes point of sale price surveys, product scrutiny, market surveillance and consumer research.

### 2.0 Rising Cost of Living – Food Items

Despite the 2013 Budget initiatives such as the increase in the income tax threshold from \$15,600 to \$16,000, reduction in personal tax, drops in import excise duty on vegetables, etc the cost of living continues to increase for ordinary consumers.

#### 2.1 Prices of basic food items [2006 – 2013]

The Council’s monthly price survey that began in 2006 has found food prices have continued in an upward trend.<sup>2</sup> Since 2006 average prices<sup>3</sup> have increased from as low as 2.40% to as high as 161%. Between July 2006 and July 2013, all the 18 food items in the survey basket increased in price. There was no change in average price for one item (bathing soap). Four items which are commonly used in every household have increased by more than 100% since 2006; 2 kg sugar by 161%; 425gm canned fish by 104%; *Rewa* butter by 130.5%; *Red Cow*<sup>4</sup> powdered milk by 104.4%. (See Appendix 1 for price list). The basket price of 19 items in our

<sup>1</sup> More information on the Council’s website: [www.consumersfiji.org](http://www.consumersfiji.org)

<sup>2</sup> CCF’s monthly surveys cover 117 items (food and non-food). A basket of 18 basic food items and one non-food item is used as a yardstick to measure prices changes of food items.

<sup>3</sup> Basket of 19 items

<sup>4</sup> Red Cow 450gm. [*Rewa* powdered milk 500gm increased by 62.6%]

monthly surveys increased by 55.22% between 2006 and 2013. In 2006 the 19 items totalled \$46.27, this year it totalled \$71.82, an increase of \$25.55. This generally shows how much a collection of basic items has increased in the past 6 years.

## 2.12 Major increases in staple food items

CCF's surveys show a marked increase in staple food items such as milk (powdered and liquid), butter, canned fish, sugar, frozen meat especially chicken and flour. The average prices of powdered milk have jumped up to 100% in the past years (*Red Cow* 450g by 104.3%, *Rewa* 500g by 62.6%). *Rewa Life* 1litre milk packet has increased by 81.6% since 2006 with the largest price jump in July 2011-2012 by 40.9%. The FCC removed price control from wholesale ex-factory milk in September 2011 and retail prices began to increase three months later. Prices of 4kg flour have increased by 58.3% while sharps have jumped by 61.1%. The price of 425g canned fish (mackerel) has increased by 104% in the past 7 years. This cheap source of protein for many poor families used was on average priced at \$1.26 in 2006, but today average prices are around \$2.57. The price of 2kg sugar (most commonly purchased by low-income consumers) was the highest increase at 161.03% since 2006. Sugar has been the worst affected, triggered by a 121.6% hike between 2010 and 2011 in which the Fiji Sugar Corporation had to import sugar due to a huge drop in local production. Fijian consumers are also paying more for frozen meats in particular chicken. Between July 2009 and 2013<sup>5</sup> average price of *Crest* chicken No.12 increased by 47% from \$8.07 to \$11.87 current. *Crest* No.15 increased by 49% during this 4 year period. Despite local chicken production, consumers face problems with increased prices and inconsistent supply of No.12 packs which are the most commonly purchased numbers. Our price surveys show that prices remain volatile and continue upwards every year. **See Annex 1.**

### Requests:

- The government to reconsider reducing or removing tariffs or import duties on essential food items particularly on powdered milk, liquid milk, butter where import duty stands at 32%. Retain consumption tax but remove or reduce other tariffs. Children and elderly people are most affected. Reducing or removing import duties on essential food items will assist Fiji's compliance with WTO commitments on tariff reduction
- Reduce the retail price of tinned fish.

## 3.0 Duty Reduction

Government should consider removing import duties on certain non food items but retain consumption tax i.e. VAT. Fiji's consumers are paying high prices for products such as clothes and other personal items as VAT, fiscal and excise duties are added to the price. Personal garments/clothes have fiscal duty of 32% plus 15% VAT. The high prices of substandard new clothes are forcing consumers to opt for second-hand clothing. There is a boom in second-hand clothing businesses in Fiji because consumers cannot afford new clothes. Hygiene is a major concern for consumers of second-hand clothes as there is a lack of appropriate regulations to address health and safety issues. Fiscal duty of 32% is still being charged on exercise books, note books, lecture pads and paper stationery which are essential for education and at work places.

### Requests:

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<sup>5</sup> Comparable Chicken Nos and prices only. There is inconsistent supply of No.11-13 chicken affecting price surveys.

Government should consider reducing the fiscal duty on:

- Clothes
- School stationery items - note books, exercise books, paper stationery, paper wallets, paper cards and other educational materials;
- Adult sanitary diapers to assist the elderly.

#### 4.0 Duty Reduction not passed on to consumers

Any duty reduction on goods is seen as a relief to consumers. Unfortunately this benefit is not passed on to consumers in terms of reduced retail prices of goods and services. Traders normally approach government for duty reduction to express the benefits consumers will get from such reduction. However, it has been noted that traders generally do not pass benefits to consumers. This has been the practiced for years. Traders see duty reduction as extra profit which goes into their pocket. The outcome of this practice is that consumers continue to pay higher price while the Government loses out on revenue collection.

#### 4.1 2013 Duty Removal on Smart Phones

CCF finds no significant drop in smart phone prices despite zero-duty policy in the 2013 budget. A comparison of 2013 prices (April) of 87 smart phones with November 2012 prices found 71.3% of phones remained under pre-2012 prices while 12 smart phones (13.8%) increased in price. (See Annex 2). Only 14.9% had dropped in price which was mostly for low-end smart phones. There is no evidence to suggest the Fiji Dollar weakened making importation of smart phones more expensive. In fact the *RBF Quarterly Review December 2012* found an “overall appreciation of the Fiji dollar” against major trading partners and the 2013 first quarter review saw the Fiji dollar appreciate against the Euro, USD and YEN. The Council’s price monitoring concludes that Fijian consumers have not benefitted from the duty reduction and Government’s policy intention of increasing people’s access to the internet and online services.

#### 4.2 Duty reduction on vehicles under 2500cc

Another example where duty reduction has had no positive impact was on vehicles under 2500cc where the Government reduced duty in 2011 from 32% to 15%. The Council undertook price survey for 31 vehicle brands/models by gathering historical price data from newspaper price lists, car dealers and other sources.<sup>6</sup> The list was reduced to 8 for comparison purposes, i.e. these were the only ones that we were able to confirm prices from previous years. A comparison of 2010, 2011 and 2013 prices of the selected vehicle models found no reduction in prices. Our research show two models under scrutiny had increased by 16.7% and 10.9% between 2011 and 2013.<sup>7</sup> (see table below). The Council believes that there may be other vehicle models that have not dropped in price despite the duty reduction. As noted in 3.1 above the Fiji dollar has remained stable during the last quarter of 2012 to the first quarter of 2013.

Year	2011	2012	2013	% Increase
<b>Consumer Council Research – Prices (VIP)</b>				
Suzuki Alto 1l	\$29,900	N/A	\$34,900	16.7%
Suzuki SX4	\$54,000	N/A	\$59,900	10.9%

<sup>6</sup> Vehicle model prices were traced to newspaper price list. Current prices were gathered from vehicle dealers using mystery shoppers.

<sup>7</sup> Suzuki Alto 1l, Suzuki SX4 1.6l

The non-reduction in prices means that the government's intent is not realised and consumers do not benefit from duty reduction. The question is what is being done to stop such type of profiteering. The Council believes that there may be other vehicle models that have not dropped in price despite the duty reduction. As noted in 3.1 above the Fiji dollar has remained stable during the last quarter of 2012 to the first quarter of 2013.

### **Requests**

- Government should introduce mandatory price monitoring for items that have attracted duty reductions or have become duty free. The Fiji Commerce Commission in collaboration with FRCA can be given the mandate to monitor prices and if duty reductions are not shown in retail price, it should intervene and set prices. This will ensure Government's duty reductions have real impact in terms of price drops for consumers.
- Harsh penalties on businesses that do not abide by price control orders on duty-reduced items.

### **4.3 Duty on Energy Drinks**

Duty can be used to modify consumption patterns. High duty and retail prices can be a deterrent against consumption of unhealthy food products. Energy drinks linked to non-communicable diseases (heart problems, overweight, diabetes, gum diseases, sleep and anxiety problems) are now becoming a major choice for young consumers. Drinks like *Monster*, *Red Bull* and *V* contain high quantities of caffeine and sugar and currently incur 32% fiscal and 15% excise duty. Some energy drinks like *Powerade* and *Gatorade* that used to be confined to sports arenas are now commonly available as a snack drink. Energy drinks often have a deceptive combination of soft drink and pseudo-nutritional supplement that may be susceptible to abuse.

### **Requests**

- Government should increase duty on energy drinks. High prices should deter younger generation of drinkers and assist in controlling NCDs. Duty increase will give Government more revenue and offset our recommended duty reduction for essential food items.

### **5.0 Review of previous Budget policies – Credit Card Levy and Stamp Duty**

Government to review these two policies based on difficulties that consumers and the general public have faced.

#### **5.1 Urgent Review of 2% Credit Card Levy**

The levy, first implemented in 2012 and revised in the 2013 Budget has been applied erratically by banks. The application of the levy has not been fair on credit card holders who clear their bills according to the bank statement which has a due date. However, banks charge 2% on outstanding balances according to the banks billing cycle which is **NOT** the due date. Consumers were under the assumption that the 2% will only be charged on outstanding balances after the due date shown on the statement. Unfortunately, the billing cycle is applied differently by some banks that view billing cycle as the day the statement is released. It must be noted that FRCA created this problem because there was no consultation with stakeholders when they gave instruction to the banks.

Income Tax Amendment Decree 2013 clearly states that the credit card levy will now apply on the unpaid balance after the due date and the Decree is deemed to come into effect from 1 Jan 2013. So the question now is how will consumers be refunded for the incorrect application of the credit card levy? According to the banks, FRCA must reimburse the banks so that the affected consumers' accounts can be readjusted. But FRCA is adamant that it will not reimburse.

### **Requests**

- The Government to review the implementation of the levy. This levy should not apply on the interest charged to the account. Alternatively the Government should consider removing the levy altogether as it is not serving its purpose and is a major deterrent to consumers who want to use electronic/online payment systems where the credit card is the mode of payment.
- FRCA to reimburse the money to banks so the affected consumers' accounts can be readjusted.

## **5.2 Review Implementation of Stamp Duty**

In the 2013 Budget, the Government increased stamp duty rates on all instruments as there have been no major review. Administrations of stamp duties were transferred to FRCA in April 2011 and in 2013 new rates were introduced. From 2013, consumers who enter into hire purchase agreement are required to pay \$10 for each agreement. CCF has found evidence that FRCA through hire purchase companies have erroneously collected \$10 on all active accounts irrespective of when the new accounts were created. Accounts that existed before 2013 were also charged \$10. *Stamp Duties (Amendment) Decree 2013* expressly stated 1<sup>st</sup> January 2013 as the effective date for the new rates. CCF also discovered that credit companies like Courts were not remitting stamp duty from previous years. FRCA has unfairly collected stamp duty from vulnerable, low income consumers. So far FRCA has not provided redress to affected consumers. FRCA has not properly administered the application of the new stamp duties resulting in some consumers paying more for the stamp duty for hire purchase agreement.

### **Requests**

FRCA must refund the money to affected customer accounts. This institution should not disregard law because as a government agency FRCA is not setting a good example.

## **6.0 Consumer Security Deposits (SD)**

Consumers pay refundable deposits to service providers such as FEA, Water Authority, Vodafone, TFL, Connect, Digicel, etc. Service providers are holding on to millions of dollars of underutilized funds which is "dead money". SDs are consumers' money and there consumers must be protected.

The Council's research has revealed that 6 service providers kept the SDs in non-interest bearing bank accounts, while one service provide had the security deposits in a bank account that was earning interest. This service provider does not pass the interest earned to its customers. A good illustration of the staggering amount of SDs being utilized by these companies is in the case of FEA where in 2012, FEA held \$34.3 million dollars in security deposits. Fiji is losing out in terms of the investment potential of such funds.

**Requests:**

Government to set up an independent *Securities Commission* based on the model of Fiji Data Bureau to manage security deposits and later include rental bonds once the legislation is in place. Deposits should be invested or utilized in a manner that would bring some returns to consumers, rather than being used by these companies to further their interests by utilising public funds kept as SD. The idea is for these funds to generate interest which can be used by the government for public goods such as infrastructure or hospital improvement etc. Consumers can also receive a portion of the interest when they decide to close their accounts.

**7.0 Insurance**

Insurance plays an important role in risk management and helps consumers to recover from unforeseen damages and losses. However, insurance services in Fiji operate in an environment riddled with numerous problems, such as outdated legislation and barriers by insurance companies that make claims costly and a time-consuming affair. Compulsory Third Party Insurance (CTPI) is a compulsory insurance with an intended purpose to protect accident victims. Unfortunately, the unreasonable exclusion clause drawn by the insurance companies have left the grieving families or the accident victims to become government's responsibility or their families in meeting health costs or loss of productivity (through welfare system) thus defeating the purpose of CTPI. In all fairness insurance industry must be made accountable for accepting third party insurance but not being ethical in attending to claims.

**Requests**

The Council resubmits its requests to the Government made in our **2013 budget submission**, that:

- Government create an *Accident Compensation Commission* that could deal with various types of accidents, including motor vehicle accidents and workplace accidents.
- Review the CTPI legislation so that the victims of motor vehicle accidents are adequately protected and fair compensation by insurance companies.

**8.0 Privacy Laws and Protection of Consumers Financial Information**

The Council resubmits its 2013 Budget submission in regards to the non-legislated status of debt collection agencies like Fiji Data Bureau. Consumers in Fiji lack protection when it comes to their personal financial and related information as evident in the practices of this debt collection agency. The business of collecting, exchanging and using personal financial information is not regulated in Fiji leaving Data Bureau and credit providers to operate at will, sharing and using consumers' personal financial information in the conduct of their businesses. The absence of privacy laws in Fiji is having a negative impact on consumers. The Council has received numerous complaints where consumers have been unfairly treated. Some of the issues we have highlighted are:

- Consumers erroneously listed in Data Bureau without their knowledge;
- Consumers listed with the bureau despite making regular payments on their loans/hire purchase accounts, and for cases where these have been fully paid off;
- Data Bureau makes no warranty as to the accuracy of the information provided or the credit-worthiness of the subject and accepts no liability for incorrect information;

- No consumer consent for the exchange of personal financial information by their credit provider to third parties
- Consumers asked to sign a form which has a provision whereby they give consent to their credit providers to use/exchange their information.

Fiji lacks a credit reporting regulations and privacy laws that protect consumers' rights. Data Bureau in collusion with credit providers plays around with consumers' personal financial information without responsibility. Privacy and Credit Reporting legislation is critical and should carefully balance the ability of creditors to share information with the individual's right of privacy and consent/understanding.

### **Requests**

- Government should establish laws and regulations to govern the conduct of debt collection agencies, credit providers and other businesses that are collecting and exchanging personal financial information of consumers.
- Fiji should adopt a system where a Privacy Act guarantees the security of personal information of consumers when such information is collected and kept by financial institutions, credit providers and all businesses. Such a law should contain regulations that limit how credit providers, banks, traders and debt collection agencies use and exchange the private financial information of consumers.

## **9.0 Other Issues**

### **9.1 Pharmaceuticals – Remove Restrictions on Sale of Vitamins and Supplements**

Currently the sale of vitamins and supplements is restricted to pharmacy. No supermarkets or high end stores can sell vitamins and supplements. Since vitamins and supplements are not medicines, non-pharmaceutical retailers should be allowed to sell these to stimulate competition. Pharmacies charge very high prices for these products, for example Omega-6 (60) capsules can cost more than \$20. By allowing other traders to sell these products will provide choice and better price to consumers, particularly young children and the elderly.

#### **Requests:**

The Council requests that the Government through the Medicinal Products Board to remove the restrictions on sale of vitamins and food supplements to allow these products to be sold at competitive prices by non-pharmacies such as supermarkets.

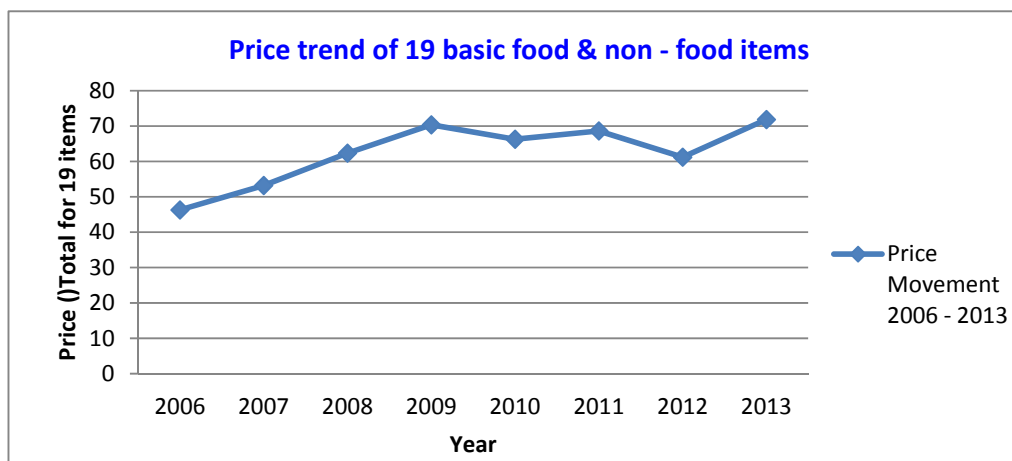


**Annex 1: Price of 19 basic food & non-food items, 2006-2013**

#	Basic Items	Qty	Jul-06	Jul-07	Jul-08	Jul-09	Jul-10	Jul-11	Jul-12	Jul-13	2012-2013 Changes		Price $\uparrow$ from 2006- 2013	
											\$diff	%	\$diff	%
1	FMF/Punjias Flour	4kg	3.55	3.91	5.66	4.74	5	5.82	5.28	5.62	0.34	6.44	2.07	58.31
2	FMF/Punjias Sharps	4kg	3.55	3.91	5.68	4.76	4.76	5.89	5.18	5.72	0.54	10.42	2.17	61.13
3	Rewa Butter	500g	3.21	3.39	4.55	3.45	5.46	6.23	7.4	7.40	0.00	0.00	4.19	130.53
4	Rewa Life	1 L	1.52	1.55	1.7	1.7	2.12	1.98	2.79	2.76	-0.03	-1.08	1.24	81.58
5	Rewa Powdered milk	500g/450g	3.66	5.28	5.75	3.77	5.44	5.33	5.94	5.95	0.01	0.17	2.29	62.57
6	Red Cow Powdered milk	590/450g	3.66	5.28	5.75	4.47	5.35	5.39	5.5	7.48	1.98	36.00	3.82	104.37
7	Punjias Rice LG Siam Rice	4kg	5.34	6.01	8.68	8.12	7.73	6.54	6.54	6.27	-0.27	-4.13	0.93	17.42
8	Punjias Soya Bean Oil	750 ml	1.83	2.56	2.83	3.32	2.98	4.11	3.8	3.55	-0.25	-6.58	1.72	93.99
9	Sugar	2kg	1.36	1.51	1.55	1.95	1.99	4.41	3.71	3.55	-0.16	-4.31	2.19	161.03
10	Sunbell canned tuna	170g	0.84	0.84	0.77	1.04	0.96	0.99	1.3	1.30	0.00	0.00	0.46	54.76
11	Bathing Soap	1pkt	0.79	0.8	0.9	1.09	1.01	1.02	1.03	0.79	-0.24	-23.30	0.00	0.00
12	Eggs	660g	3.51	3.74	3.03	4.08	4.48	4.51	4.7	4.49	-0.21	-4.47	0.98	27.92
13	Onions	1kg	1.25	1.35	1.1	1.67	1.6	1.49	0.98	1.28	0.30	30.61	0.03	2.40
14	Potatoes	1kg	0.97	1.14	1.47	1.27	1.26	1.37	1.11	1.39	0.28	25.23	0.42	43.30
15	Corned beef	340g	3.93	4.04	4.02	3.52	3.8	3.93	4.16	4.18	0.02	0.48	0.25	6.36
16	Corned mutton	340g	3.05	3.18	3.38	3.43	3.89	4.12	4.64	4.65	0.01	0.22	1.60	52.46
17	Salt	1kg	0.57	0.6	0.74	0.93	0.91	0.83	0.83	0.81	-0.02	-2.41	0.24	42.11
18	Tea leaves	200g	1.5	1.46	1.58	2.26	2.22	2.03	2.08	2.06	-0.02	-0.96	0.56	37.33
19	Canned fish	425g	1.26	1.32	1.3	2.23	2.1	2.63	3.34	2.57	-0.77	-23.05	1.31	103.97
TOTAL			\$46.27	\$53.20	\$62.32	\$61.18	\$66.27	\$68.62	70.34	71.82	1.48	2.10	25.55	55.22

**COMMENTS**

- ◆ Powdered Milk (Rewa & Red Cow) packets have been reduced from 500g to 450g, but prices have remained the same.
- ◆ Some items had dropped in price during 2006-2013 due to new price control orders establish by the Fiji Commerce Commission



## Annex 2: Smart Phone Price Monitoring

- Price monitoring conducted in Suva, Lautoka and Labasa: Nov, Dec 2012; Jan – Jul 2013.
- 13.8% phones increased in price, while there was a decline in only 14.9% of the phones. A majority 71.7% showed no change in prices.
- SUVA: 6 outlets - Vodafone, Digicel, MH, Dickson, Valuefone and Courts were surveyed. 70 comparable phones; LAUTOKA: 6 outlets - Vodafone, Digicel, MH, Dickson, Valuefone and Courts were surveyed. 7 comparable phones; LABASA: 4 outlets - Vodafone, Digicel, MH, and Courts were surveyed. 8 comparable
- Brands and Models: ZTE - R260, Razer; HTC – Desire, Legend, Salsa; Samsung - Galaxy Series Nexus, Galaxy tab, S3, SPICA-GT, GT 55830 Galaxy Acc, Galaxy Note 2, Galaxy 5, Omina; LG - Optimus L7 P705; ZTE Razer, F118; Nokia - N-Series 100, N-82 C2-01, Asha Series 300, 200, N6700 Classic, C5, C202, X2, X3, X6, E72, Lumia 800 ; iPhone – 4, 4S; BlackBerry – 9000, 9500, Storm 9300, Storm 9780; SONY – Xperia X; Vodafone X18i (Note: Survey on some models stopped due to unavailability)

<b>Price Survey: December 2012 to April 2013</b>					
<b>Division</b>	<b>Increase</b>	<b>Decrease</b>	<b>No change</b>	<b>Total</b>	<b>Comments</b>
Suva	8	11	51	70	
Lautoka	4	1	4	9	
Labasa	0	1	7	8	
<b>Total</b>	<b>12</b>	<b>13</b>	<b>62</b>	<b>87</b>	
<b>%</b>	<b>13.79%</b>	<b>14.94%</b>	<b>71.26%</b>	<b>100%</b>	