



CONSUMER COUNCIL OF FIJI

A Submission to the

Fiji Commerce Commission

*Review of Commerce (Price Control) (Percentage
Control of Prices for Food Items) Order
2012*

August 2015

1.0 Consumer Council of Fiji's Role

The Consumer Council of Fiji (CCF) as the statutory representative of consumers in Fiji is required by the *Consumer Council of Fiji Act Cap. 235* to *do all such acts and things that it may consider necessary or expedient to ensure that the interests of consumers of goods and services are promoted and protected* (Section 6 (1)). The Council is obliged to make representations to the Government or to any other organisations/persons on any issues affecting the interests of consumers.

2.0 Consumer Council's Submission

The Council is of the view that *Commerce (Price Control) (Percentage Control of Prices for Food Items) Order 2012* (Order or PCO) should be extended further and strengthened. The following are important considerations.

2.1 Importance of Price Control – Mitigate High Cost of Living & Counter Inflation for Ordinary and Disadvantage Consumers

The Council reiterates its long-standing view that price control should be used to mitigate inflation and unfair pricing practices by unscrupulous traders. While competition and fair trade are important, it is equally important that the FCC and policymakers bear in mind the principles behind price control in Fiji. Price control in Fiji was first introduced in 1973 through the *Counter Inflation Act (Cap 73)* as a *social protection* measure to assist consumers to cope against the effects of inflation and increase in cost of living. The cost of living in Fiji has been increasing steadily in the past 5 years. Between 2010 and 2014, the consumer price index (CPI) increased by about 16%.¹ According to the Bureau of Statistics, the CPI for *food and alcoholic beverages* increased by 5.8% between 2012 and 2014. The social protection principle of price control also extends to guarding consumers against unscrupulous traders who engage in unfair trading and price practices. We cannot leave prices of basic food items to market forces to determine. Invisible hands of traders will come into play to make more profits. These are strengths under which price control should be managed with this in mind instead of purely from a business point of view.

2.2 Non-Compliance

The Council has observed that despite a revised price control system and revised legislation, non-compliance by unscrupulous traders persists in the market. This is evident from the Council's market surveillance, consumer complaints and documented court proceedings by FCC. For example so far this year, our market surveillance team came across four cases involving PCO (food items) issues (See Attachment 1). One case involved misplacement of FCC labels/tags, while three involved displayed prices higher than the FCC maximum price. These were resolved on the spot by our team after discussions with the traders. In 2014 our team came across 4 cases of PCO (food items) violation, 2 of which involved non-display of FCC labels/tags, while the other two involved overcharging (See Attachment 1). The Council notes that under Section 129 of the *Commerce Commission Decree 2010* the maximum penalty for

¹ Fiji Bureau of Statistics (www.statsfiji.gov.fj) and World Bank Country Data (<http://data.worldbank.org/country/fiji>)

PCO violations is \$5,000 and \$10,000 for subsequent or repeat offending. We note that most of the successful prosecutions in the Magistrates Courts have involved fines of \$500 (for first offenders). The Council suggests that due to the fact of the Decree now in its 5th year of implementation and it is now common knowledge amongst traders of the price control law, the FCC should push for high fines in the courts.

2.3 Re-Retailing Pricing

This is a weak area that the Council requests the FCC to look into. It is important to note that re-retailers, although being small players in the market do play an important role in providing access to essential goods within the communities they operate in – particularly in rural and squatter areas. Many poor consumers living in squatter settlements often lack the volume of cash to buy items in bulk from supermarkets or larger retailers. Most depend on these small traders to purchase small amounts of essential food items like sugar, flour, milk, etc on needs basis. These outlets also play an important role during emergencies and natural disasters when access to large retailers becomes difficult. The Council regularly receives queries from both consumers and small retailers on regulated prices of food items in canteens, community stores and small shops where re-retailing occurs. There is often no clarity in how re-retailing maximum prices (MRP) are applied and whether these small traders have a blanket approval to charge beyond the MRPs in the FCC price schedules. This is particularly the case for villages, isolated rural communities, and squatter settlements and even in some suburban residential areas where there is some confusion on the applicable prices for re-retailed PCO items. These small traders often escape scrutiny and prosecution as we note that FCC enforcement and prosecution appear focused on larger retailers like supermarkets. The FCC should conduct a review on re-retailing to ensure that consumers pay the fair maximum prices and traders do not charge unfairly high mark-ups because they are purchasing stock (at retail price) from other retailers. The Council believes that all small traders, canteens and community shops engaged in re-retailing should be scrutinized more and the appropriate maximum prices be listed.

2.3.1 Canteens, small traders in rural areas and islands

The Council urges the FCC to look into compliance by canteens and small traders in rural and island communities particularly in the displaying of price tags for PCO items. These traders serve vulnerable and often less literate consumers who may be unaware of which items are on price control or can easily be misinformed by unscrupulous traders.

2.4 Bread

The Council requests a clarification from FCC on why bread appears on separate order - *Commerce (Price Control) (Foodstuffs) (Amendment) (No.4) Order 2011*. It would be appropriate to include bread with other food items in the Order that is under review. While this submission deals with the *Commerce (Price Control) (Foodstuffs) (Amendment) (No.4) Order 2011*, the Council is taking this opportunity to bring the FCC's attention to price control on bread. One weakness in the bread PCO is that some unscrupulous bakeries and retailer who modify bread to escape price control. These traders are selling long loaf bread such as "oat loaf" or "whole meal loaf" which involves superficial modification such as meager sprinkling of cheap oatmeal on the bread or very little whole meal to make the bread appear different. Oat loaf

and whole meal loaf is generally sold for \$1.20 and \$1.10 respectively. The price difference in comparison to price-controlled long loaf is 60% and 47% respectively. Another tactic used by traders to dodge price control is to bake and sell less of the price-controlled bread. The Council has found bakers and shops that often sell less stock of long loaf, medium white and medium whole meal sliced bread, and instead sell more of the small and large bread which are not under price control. The Council has been receiving complaints on this. Another issue that we have come across is how some unscrupulous bakeries deliberately do not slice 600gm sliced bread and charge an extra 10cents as “slicing fees”. A complaint was lodged by a Government Minister on this after he was charged extra for slicing.

2.5 Removal of Wholesale Price Control on (Liquid) Milk

The FCC should review price control of milk. In September 2011 price control was removed from wholesale ex-factory milk in September 2011 and retail prices began to increase three months later. Our monthly supermarket price surveys showed the average price of 1litre *Rewa Life* jumped by 40.9% between July 2011 and July 2012. This was the biggest increase we noticed over the years since we started our price surveys in 2006. The average prices of powdered milk (based on CCF monthly price surveys 2006 - 2015) have increased by more than 80% in the past 9 years.

Item	Qty	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Rewa Life	1 L	\$1.52	\$1.55	\$1.70	\$1.07	\$2.12	\$1.98	\$2.79	\$2.76	\$2.78	\$2.78
% change			↑ 2.0%	↑ 9.7%	↓ 37.1%	↑ 98.1%	↓ 6.6%	↑ 40.9%	↓ 1.0%	↑ 0.7	NC

2.6 Price of Powdered Milk in Rural Areas

Consumers, particularly those in isolated rural and island communities are paying high prices for powdered milk. Powdered milk is used widely by consumers in particular mothers with infants in these area due to lack of refrigeration for liquid milk. Despite an FCC price reduction of 4.81% for 450g *Rewa Full Cream Milk Powder* on June 11, 2014, the Council’s own price surveys showed that consumers were still paying high prices after this. In the first three months of 2014 (January to March) price of *Rewa* 450g milk had increased by 4.1% for urban Viti Levu. Other brands like *Red Cow* were selling at \$9.70 for the outer islands. The Council’s survey in early 2014 in the northern division revealed a lack of choice for consumers in terms of brand and weight options/range. The majority of small retailers in the north that serve rural consumers sold only two brands – *Rewa* and *Red Cow* – at the time of the survey. Prices ranged from \$7.43 - \$9.70.

Product Shrinkage - The Council had noticed that while the price of powdered milk have been on continuous increase, the quantity per packet had shrunk in size from 500g to 450g especially for *Rewa* and *Red Cow* brands of full cream powdered milk. *Red Cow* 500g was reduced (without much notice) to 450g in 2010 and *Rewa* 500g a year later with the same amount of shrinkage. For *Rewa*, the weight had dropped by 50g (10%) while the price increased on average by more than \$1.40 (more than 25%), while *Red Cow* had decreased by the same weight but price increased by more than \$2.70 (more than 45%) during the last price change in 2014. Consumers have also lost the dollar value for powdered milk in terms of dollar per unit. Consumers are now paying nearly

50% more per gram of *Rewa* milk than in 2010. The same is for *Red Cow* where consumers are paying more than 60% per gram.

2.7 Price determinations

The Council note that price determinations on the various food items on the list are done on an ad hoc basis. This affects consumers who also have to budget and plan their household incomes for food and other essentials. The current system creates price shocks for consumers who are often unaware of price changes. It is more of a benefit to traders particularly importers and wholesalers who apply for price changes due to changes in cost. The Council suggests that price determinations and prices for commodities that are greatly affected by world price changes should be done quarterly similar to the price review on fuel/gas which is done quarterly. This should assist consumers to prepare for any impending price hikes and also benefits small traders who also need some predictability in how they purchase stock.

3.0 Conduct of traders (importers/wholesalers/ distributors/ retailers) in the provision of the regulated food items

The Council notes that non-compliance by traders has dropped compared to the PIB era and during the early years since the establishment and enforcement of the Commerce Commission Decree 2010. Non-compliance has been more prominent for other items like fuel, bread and medicines. A problem area that the Council regularly comes across during its market surveillance is where shelf or displayed prices of both price-control and non-price control food items do not match POS² prices.

4.0 Current price of basic food items

While price control has assisted in lessening the impact of inflation, the Council has observed that prices continue to spiral upwards. Milk, butter, canned fish, split peas and to some extent flour and sharps have increased drastically since 2006 (CCF price surveys). Locally produced butter and milk, which are important basic breakfast commodities, have experienced the highest percentage increase over this period (butter 184.4%, liquid milk 82.9%, powdered milk 73.5%) (See Table next page)

From the list of selected basic PCO items in the table, the Council notes that between July 2012 and July 2013 (intervening period of the 2012 PCO), only 6 out of 13 items dropped in price (average)³, while 7 increased. The decreases ranged from 45.8% to 1.0%, while the price hikes ranged from 36% to 0. This shows that price control may have had little impact on the increase in food prices. The Council understand that factors like fuel and landed costs of imported goods and raw materials may impact heavily on prices.

² POS: Point-of-sale

³ These are average national prices from the Council's monthly survey involving 16 major retail outlets in Suva, Lautoka and Labasa. As of 2015 surveys, only 2 surveys per quarter are being conducted.

Selected PCO (Food) Items, Price Change 2006 – 2015														
Basic Items	Qty	JULY (\$)										2014	2015	% change 2006-15
		2006	2007	2008	2009	2010	2011	2012	2013	2012-13 change				
										\$	%			
FMF/Punjas Flour	4kg	3.55	3.91	5.66	4.74	5.00	5.82	5.28	5.62	0.34	6.4	5.55	5.44	↑ 53.2%
FMF/Punjas Sharps	4kg	3.55	3.91	5.68	4.76	4.76	5.89	5.18	5.72	0.54	10.4	5.83	5.72	↑ 61.1%
Rewa Butter	500g	3.21	3.39	4.55	3.45	5.46	6.23	7.40	7.40	0	0.0	9.13	9.13	↑ 184.4%
Rewa Life	1 L	1.52	1.55	1.70	1.07	2.12	1.98	2.79	2.76	-0.03	-1.1	2.78	2.78	↑ 82.9%
Rewa Powdered milk	500g	3.66	5.28	5.75	3.77	5.44	5.33	5.94	5.95	0.01	0.2	6.94	6.35	↑ 73.5%
Red Cow Powdered milk	450g	3.66	5.28	5.75	4.47	5.35	5.39	5.50	7.48	1.98	36.0	8.25	5.81	↑ 58.7%
Punjas Rice LG Siam Rice	4kg	5.34	6.01	8.68	8.12	7.73	6.54	6.54	6.27	-0.27	-4.1	5.53	5.99	↑ 12.2%
Punjas Soya Bean Oil	750 ml	1.83	2.56	2.83	3.32	2.98	4.11	3.80	3.55	-0.25	-6.6	2.98	2.83	↑ 54.6%
Corned beef	340g	3.93	4.04	4.02	3.52	3.80	3.93	4.16	4.18	0.02	0.5	4.17	4.18	↑ 6.4%
Corned mutton	340g	3.05	3.18	3.38	3.43	3.89	4.12	4.64	4.65	0.01	0.2	4.64	4.64	↑ 52.1%
Tea leaves	200g	1.50	1.46	1.58	2.26	2.22	2.03	2.08	2.06	-0.02	-1.0	2.16	2.24	↑ 49.3%
Canned fish	425g	1.26	1.32	1.3	2.23	2.10	2.63	3.34	2.57	-0.77	-23.1	2.57	2.65	↑ 110.3%
Split Peas	1kg	0.92	1.33	1.88	3.38	3.21	1.62	3.21	1.74	-1.47	-45.8	1.92	1.78	↑ 93.5%

5.0 Suggested additions and removals to/from the list.

- The Consumer Council recommends that **corned beef** and **corned mutton** be removed from the list. In the interest of Ministry of Health and Government policies to reduce the high prevalence of NCDs in Fiji, these high-fat foods should be discouraged. The removal of price control can help increase prices and reduce consumption.
- The Council recommends that corned beef/mutton be replaced with **eggs, cheese** and **yoghurt** in the list. Eggs are good sources of protein and widely available, but high prices are deterring ordinary consumers from accessing these at more affordable prices.
- The Council also suggest that in the review of price control of bread, that **white bread** be removed from the list and instead whole meal bread (loaf and slices) be under price control. This will assist in the NCDs reduction efforts.

6.0 Other Issues

6.1 Price Control Awareness for Consumer Protection Agencies and Traders

The Council urges the FCC to undertake regular awareness meetings or consultations with consumer groups and traders for a better understanding of how the price control mechanism works and how changes are applied to the price lists. This will help consumer protection agencies and trader groups be in a better position to relay and clarify matters to the public. This will not only reduce confusion amongst the public, but also will help reduce price control violation as it will improve compliance and encourage more reporting from consumers and members of the public. The majority of consumers are unaware that not all goods and services are under price control and there is a tendency to think that all goods and services are under price control. This mentality deters comparative shopping which can assist consumers make

better and informed choices. Consumers who think that every item is under price control will unlikely search for better prices particularly for non-price controlled items. More consumer awareness about the price control mechanism, list of items and the penalties for non-compliance will not only assist consumers, but also deter non-compliance. It will also assist in reporting of traders who are not complying.

7.0 Recommendations on the future of the regulation

- The Council strongly recommends that *Commerce (Price Control) (Percentage Control of Prices for Food Items) Order 2012* (Order or PCO) should be extended further and strengthened. The Order should be maintained as a continuing social protection measure for ordinary and disadvantage consumers against the negative effects of inflation, increase in cost of living and unscrupulous trading practices.
- The Council recommends inclusion of bread in this review of the PCO rather than having a separate PCO on bread.
- The Council also suggest that in the review of price control of bread, that **white bread** be removed from the list and instead whole meal bread (loaf and slices) be under price control. This will assist in the NCDs reduction efforts
- The Council recommends that corned beef/mutton be replaced with **eggs, cheese** and **yoghurt** in the list. Eggs are good sources of protein and widely available, but high prices are deterring ordinary consumers from accessing these at more affordable prices.

=== ENDS ===

ATTACHMENT 1

Price Control Issues from CCF Market Surveillance/Trader Visits		
TRADER CONDUCT		
Date	Trader	Issues
2015		
15/02	MH Supermarket, LAUTOKA	Price tag of <i>medium whole meal slice bread</i> shows \$1.25, item is under price control for \$1.20
12/05	Seaqqa Shopping Centre, SEAQAQA	PCO violation 1/ <i>Pure Canola</i> oil \$3.55, FCC price \$3.28.
19/05	MHCC Supermarket, SUVA	FCC labels for controlled items misplaced under non-controlled items.
14/06	Samabula Trading Centre, Namuka Street, SUVA	PCO violation: <i>Rewa</i> butter 125g sold for \$2.40 instead of \$2.30.
2014		
26/06	Veejay Enterprises (<i>Shop 1</i>), NAVUA	No display of Commerce Commission Price Control Shelf Labels.
04/06	Dosoo's Supermarket, RAKIRAKI	No Fiji Commerce Commission tags for the price controlled items on display.
01/07	Hetesh Investment, Tavakubu, LAUTOKA	Price of 1l white packet <i>Rewa Life</i> is \$2.90. Breach of the price control order as price in rural area is \$2.87.
04/12	Natovi Store, NATOVI	High prices of certain price control items under FCC Price Control Order (PCO) [Referred to FCC]