CONSUMER COUNCIL OF FIJI

2015 National Budget Submission

August 2014

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 2015 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 Cap 235*, 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. Thus, CCF submission lies within the ambit of this legal duty. The National Budget is very important to the Council as budget announcements have direct or indirect consequences on consumers. The Council's perspective on national budgets or Government policies is always based on its function as a watchdog to create a fair and just delivery of goods and services in the marketplace.[1] The Council has intimate knowledge and hands-on experience of the problems that consumers face in the market place. It is the main recipient of consumer complaints, undertakes point-of-sale price surveys, market surveillance, and product scrutiny and consumer research.

1.0 Issues for consideration in the 2015 National Budget

In formulating the 2015 National Budget submission, the Council urges the Government to consider the increasing cost of living and put forward necessary policy measures to mitigate the impact on consumers. In particular, the *Government should re-look at some of the taxes and import tariffs on essential goods and services; a tariff restructuring is needed. There is also a need to review stamp duties, levies and other taxes such as Capital Gains Tax*. The Budget should provide relief to vulnerable Fijians by ensuring affordable prices of basic goods and services. Policies should be geared towards *facilitating consumer spending* as this is one of the principal drivers of the domestic economy as noted by the Reserve Bank of Fiji. Government should also continue to develop its consumer protection regime through reforms in legislations, regulations 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.

2.0 Rising Cost of Living

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. but the cost of living continues to increase for ordinary consumers. It is important to consider the 2011 VAT increase of 2.5%, restructuring of tariff structure (i.e. 3% to 5% and 27 to 32%) which adds up to around 7 %; use of CIF (cost, insurance freight) and not FOB (free on board) that has pushed the prices. Other factors are Fiji Electricity Authority's (FEA) tariff alignments and increase in security deposits; application of VAT on insurance; increase in stamp duty for rental properties, increase in duty for fuel etc. have kept the cost of living high for consumers.

2.1 Prices of basic food items, 2006-2014

The Council's monthly price survey that began in 2006 has found food prices have continued in an upward trend. Since 2006 average prices for most basic food items have increased from as low as 3.6% to as high as 184.4%. Between July 2006 and July 2014 prices of all basic food items increased. The lowest price increase recorded during this period was for 4kg *Punjas* long grain Siam rice (3.6%) while the highest was not surprisingly 500g *Rewa* butter (184.4%). Four items went over the 100% mark in terms of increase: 500g *Rewa* butter, 450g *Red Cow* powdered milk, 425g canned fish and 2 kg sugar (*Red Cow* powdered milk reduced from 500g to 450g in 2010,

[1] More information on the Council's website: www.consumersfiji.org

Rewa dairy followed in 2011). (*See Appendix 1&2 for survey price list*). Average prices of powdered milk have jumped up to 125% in the past 8 years, while the price of liquid milk increased by 82.9%.[2] The Fiji Commerce Commission (FCC) removed price control from wholesale ex-factory milk in September 2011 and retail prices began to increase three months later. There were further FCC increases in first quarter of 2014. Consumers in rural Vanua Levu and outer islands were forced to pay up to more than $9 for 450g of powdered milk which limited people's choice. In the last 8 years, prices of 4kg flour have increased by 56.3% while sharps have jumped by 64.2%. Price of 425g canned fish (mackerel) increased by 104% in the past 8 years with the current average price at $2.57 compared to $1.26 in 2006. The price of 2kg sugar (most commonly purchased by low-income consumers) has increased by 159.5% from $1.36 in 2006 to $3.53 today. Moreover, in the last five years chicken prices have increased by more than 50%. *Crest* chicken No.12 and No.15 have increased in price by 55.3% and 49.7% respectively.

2.2 Increased Fiscal Duty on Milk, Butter and Cheese

In 2012, Government increased fiscal duty on (imported) dairy products "to encourage and protect manufacturers of dairy products."[3] The impact of the duty change was apparent from our price survey (July 2012 – July 2013); average price of *Red Cow* 450g (powdered) increased by 36% while *Rewa* brand increased by a small 0.1% in price. One litre *Rewa Life* packet dropped by 1%. However prices for powdered milk increased further in 2014. (*See Appendix 3*) Despite preferential treatment, locally-produced powdered milk and butter prices still increased by 16.8% and 23.4% respectively.

Government needs to make necessary changes to reduce tax on these products so that they are made affordable to all.

Requests:

- Government to reduce or remove fiscal duty on essential food items particularly on imported **powdered milk, liquid milk, butter where import duty stands at 32%**.
- Reduce duty on canned fish (mackerel 32%) – due to high prices of fresh fish which ordinary consumers are unable to afford.
- Exclude Vat on lentils and oatmeal.
- Government should review VAT exempted list and Price Control list to ensure healthy choices are included in this list to deal with NCD.

2.3 Consumers Paying More for Less – Shrinking Quantities, Increasing Prices

Manufacturers have been subtly downsizing packages of certain food and non-food items while consumers are paying more without noticing. The Council's recent research on Shrinking Package Quantities found 8 products that had been downsized: powdered milk, washing soap, toothpaste, matches, LPG cooking gas and detergent. *(See Appendix 4*) A good example is LPG cooking gas which dropped in weight from the 13kg cylinder to a new standard of 12kg. The average price increase by 22.4% and consumers ended up paying 32.5% more in terms of per unit (kg) price ($). The other prominent example is powdered milk where *Red Cow* 500g was reduced (without much notice) to 450g in 2010 and *Rewa* 500g a year later with the same amount of shrinkage. Prices however increased by 27.3% for Rewa and 46.8% for Red Cow; price per unit increased by 49% for Rewa Milk and 63.3% for Red Cow Milk. Other price per unit increases were recorded for Ocean

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[2] Red Cow 500/450g by 104.3%, Rewa 500/450g by 89.6%). Average price of liquid milk (Rewa 1l) price has increased by 82.9%.

[3] FRCA Press Release No 23/2012, 'New Duty Rates' 22nd November 2012

washing soap (900-800g, 38.5%), Colgate herbal (110-100g, 9.9%) and *Hibiscus* matches gross (12 – 10pk, 11%). Product downsizing and price hikes means consumers are getting less and less by paying more.

Request:

- Government should introduce regulations that prohibit unfair downsizing where consumers cannot engage in comparative shopping.

2.4 Tariff Restructuring 2008 & 2009, VAT increase in 2011

In 2008 Government restructured the tariff bands to **(0%, 5%, 15%, 27%)**. All items attracting 3 percent fiscal duty previously were moved to the 5 percent band. In 2009, Government further restructured the tariff bands from the current structure of (0%, 5%, 15%, 27%) to (0%, 5%, 15%, 32%). All items attracting 27 percent fiscal duty were changed to a rate of 32 percent. The Government also increased VAT in 2011 from 12.5% to 15%. This meant that consumers had to folk out more money to pay more for the goods and services.

Requests:

- Government should retain consumption tax (VAT) but remove or reduce other tariffs on the essential food items.

- Government should restructure the tariff bands by removing the indirect tax measures introduced in 2008 and 2009. Import Excise Duty should be removed. All items attracting 5% fiscal duty should revert to the old 3%. Items attracting 32% fiscal duty should revert to the old 27% band. The 15% band should also be reduced to 10%. The tariff restructure will assist Fiji's compliance with World Trade Organization's (WTO) commitments on tariff reduction.

2.5 Income tax threshold, salary changes versus tax, duty changes

The increase in cost of living through tax duties and levies has not been equally offset by changes to take-home pay and salary increases (e.g. civil service). Table 1, below shows how changes in the income tax threshold and civil service pay increases occurred hand-in-hand with increases in duty, electricity tariffs, VAT, levies, stamp duties and also removal of tax deductable allowances. From 2008 to 2011 the tax threshold and salary levels remained the same, but there were increases in VAT, duty and FEA tariffs. It meant take-home pay remained the same, but consumers had to deal with high cost of living. Even though the tax threshold increased to $16,000 in 2013, consumers had to face exorbitant hikes in stamp duty, a credit card levy and a loss of tax deductable allowances (2014). The civil service salary increases in 2012 and 2014 only benefitted some 25,000[1] people employed by Government which is roughly around 7% of Fiji's total labour[2] force. Early this year we saw the minimum wages increase by $2.

Table 1: Income tax threshold, salary changes versus tax, duty changes

Years	Tax Threshold	Salary changes etc.	Tax, duty changes etc
2014	$16000	• 4% to 23% increase for civil servants • Minimum wage $2 effective March	• Removal of tax deductible items – FNFP, insurance, etc. • Removal of tax deductible claims on dependents, children • Free education

[1] Civil servants number around 25,000. http://nzfiji.org/wordpress/wp-content/uploads/2013/06/ParmeshChand.pdf
[2] World Bank estimates Fiji labour force 342,174 in 2012. http://data.worldbank.org/indicator/SL.TLF.TOTL.IN

2013	$16000		• Stamp Duties increase e.g. 900% for hire purchase agreements • Credit card levy
2012	$15600	3% increase for civil servants	• Increased fiscal duty on milk, butter • FEA domestic tariffs decrease 5%
2011	$15000	• 2011 – Bus fare subsidy for poor & disabled. • No change in tax threshold or wage/salaries – but increases in VAT, duties and fuel prices • 2009 free bus fare scheme for poor children	• VAT increase from 12.5% to 15% • FEA customer security deposit hikes • FEA commercial tariffs up 10% (increase in cost of business passed to consumers) • Taxi fare tariff increase from10c/200meters to 10c/100.
2010	$15000		
2009	$15000		• Tariff restructure, items with 27% fiscal duty up to 32% • Civil service retirement age lowered from 60 to 55yrs • FEA tariff increase 15% • Bus fare increase 13% - 65%
2008 June-Dec	$15000		• Tariff restructure, 3% fiscal duty increase to 5%
2008 Jan-May	$9000		• Fuel price hikes
2007	$8840		• Fuel price hikes •
2006	$8840		• Fuel price hikes

Request:

- Government should provide protective measures and incentives to help consumers cope with the rise in cost of living. It should always look at wage and salary levels and consumers' affordability when considering upward changes in taxes, duties, utility rate determinations (e.g. FEA). Removing or reducing: duties on essential goods and services; levies

- Government to reconsider the exorbitant increases in duty, levies, VAT and stamp duties as the Council has requested.

2.6 Non-Food Items

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.

Clothing - 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. Over the years, the prices of second hand clothing have increased and the consumers are unable to even afford second hand clothing. This is due to the inadequacy in the consumer protection legislations which fails to protect the interests of consumers. Hence, consumers have a very limited choice on whether to purchase brand new clothes or second hand clothes.

Over-the-counter (OTC) medication and testing kits – OTCs (also known as *non-prescription medicines*) are important to consumers for common non-serious ailments such as the common cold, flu, and headaches and so forth. Medications such as cough mixtures, paracetamol (branded e.g. Panadol), cold and flu tablets, syrups, paracetamol (branded) for infants/children etc are not under price control and consumers pay high prices for these. VAT on these items should be removed to make them affordable. Testing kits and diabetic strips should also be zero rated as these assist consumers in NCD management, relieving pressure on Government health services.

Requests:

- Government should consider reducing the fiscal duty on:
  - Clothes;
    Testing kits for diabetes and strips; and
  - Toiletries - toothpaste, bathing soap, sanitary pads, washing powder

2.7 Duty application - Cost, Insurance Freight (CIF)

Fiji's system of customs charges on goods coming into the country are applied in a manner that result in the high price of imported goods. The Council's concerns are particularly on those essential goods that Fiji needs to import due to non-availability or low local production. The current system under the *Customs Act* 1986 calculates applicable fiscal duty, import excise and VAT on Cost, Insurance and Freight (CIF) charges. This means duty is charged on the total sum made up of cost of the item (invoice value), freight and insurance. This results in higher prices for imported goods. It is only fair that duty should be applied to the cost of the item but not on freight and insurance.

The illustrative example here of a t-shirt valued at NZ$100

Tariffs Methodology on Imported Goods
Example: T-Shirt valued at NZD$100 (cost)

	Tariffs Methodology		
	CIF[3] Shipment	**CFR[4] Shipment**	**FOB[5] Shipment**
Cost	NZ$100.00	Cost (inclusive of Freight) NZ$135	NZ$100
Insurance	NZ$10	Insurance (0.5% of cost) NZ$0.68	-
Freight	NZ$40	- -	-
Total (NZD)	NZ$150	NZ$135.68	NZ$100
Customs Exchange Rate for Week 34 (ASYCUDA Rates)[6]	1.6167	1.6167	1.6167
Total Value For Duty (VFD)[7]	**$242**	**$219**	**$162**
Fiscal Duty 32%	$77.44	$70.80	$51.84
Import Excise Duty (IED)	FREE	FREE	FREE
VAT (15%) on Value for VAT	$47.92	$43.47	$32.10
Total Duty Payable	**$125.36**	**$91.39**	**$83.94**

In this example the duty charged is $125.36. However, using the FOB method (where duty is only charged on the cost of the product), the cost is $83.94 which is $41.42 or 33% lower than using the CIF method. The Council believes that the high prices of imported goods in particularly some of

[3] CIF Method – "Cost, Insurance, Freight" - where duty is applied on total of Cost, Insurance and Freight, VAT is then applied
[4] CRF Method – 'Cost is inclusive of freight' and insurance is at charged at 0.5% of cost – duty is applied
[5] FOB Method – "Free on Board" method where the duty is app
[6] FRCA uses ASYCUDA rates – ASYCUDA means Automated System for Customs Data a computerized system designed by the United Nations Conference on Trade and Development (UNCTAD) to administer a country's customs.
[7] VFD – Value for Duty: It's the amount on which duty is applied, i.e. the sum of cost, insurance and freight (after conversion to Fiji Dollars) It is rounded off to the nearest whole number.

essential consumer goods (foods etc) and other important products can be reduced by eliminating the CIF method.

Request:

- Government should stop using CIF and opt for the FOB (free on board) customs duty method where duties should be applied on the commercial invoice value only, excluding cost of shipping and insurance. This will make goods and services more affordable.

3.0 Non-Communicable Diseases – Taxation Measures

The Council fully supports and is active in the Government's efforts to reduce the burden of non-communicable diseases. NCDs are a major killer in Fiji and a disproportionate contributor to Fiji's high health and medical bill. State funds that would otherwise be used for capital works, infrastructure development, education and trade are being chewed up by NCDs treatment. Unhealthy lifestyle such as consumption of unhealthy food and beverages, tobacco smoking and alcohol use are high risk NCDs factors. One way that NCDs can be controlled is through targeting lifestyle choices via changing consumption patterns amongst consumers. Unhealthy foods or unhealthy habits (smoking etc) can be made more expensive through tax intervention (duty). High prices can make consumers rethink about consuming unhealthy foods. On the other hand, making health foods less expensive can help consumers to access nutrient rich food. Unhealthy food and beverages are cheaper than healthy alternatives. Higher taxes on unhealthy foods and beverages (including tobacco and alcohol) will benefit the Government by increasing tax revenue and at the same time address NCDs by targeting the risk factors (i.e. consumption of unhealthy foods/beverages).

3.1 Duty on Sugar-Sweetened Beverages (SSBs)

SSBs have been linked to increased risk of overweight and the biggest contributor to diabetes. The retail prices of soft drinks are lower than water and healthier beverages. Heavy marketing and promotion is increasing exposure to children. Prices of SSBs in Fiji are cheaper compared to developed countries like Australia. For example in Australia a 600ml bottle of Coca Cola retails for around AUD$3.70, approximately F$6.30, while the local Fiji price is at $2.00.

Efforts are therefore needed to reduce consumption of these products through a combination of approaches including taxation to increase their pricing. Currently, the imported **Sugar Sweetened beverages** carries higher tax (32% fiscal, 15% import excise and 15% VAT) whereas locally produced SSB has an Excise duty of 5 cents per litre imposed in 2010 along with 15% VAT. It is ironical that high taxes are imposed on imported SSB when most SSBs sold in the Fiji market are locally bottled/produced.

It is of great concern to note that healthy food such as imported liquid milk has a high tax of 32% fiscal duty and 15% VAT. Food items such as Tuna and Mackerel has a high tax of 32% whereas locally produced SSB has lower tax that reduces the price of product thus influencing the purchasing decision.

Some countries have introduced higher taxes on SSBs in an effort to deal with NCDs. For example, Nauru imposes a "sugar levy" of 30%, India a 20% tax on SSBs and Mexico in 2013 imposed a MXN$1 per litre tax. Some United States cities such as New York and San Francisco have imposed a "soda tax".

The CCF proposes a variable excise tax based on sugar content for locally-produced soft drinks. This measure will also provide an incentive to manufacturers to reformulate their products towards lower sugar content. It will also incentivise the manufacturers to produce healthier product lines.

Requests:

- Government to consider a variable tax rate on SSBs based on composition of added sugar/100ml as consumed
  - 0% for those with added sugar of no more than 1g/100ml (e.g. coca cola zero, *Thriftee* cordial, flavoured sugar-free water)
  - 5% (or 10 cents a litre) for those with added sugar of between 1.1g and 4.9g/100ml
  - 15% (or 35 cents a litre) for those with added sugar of between 5g and 10g/100ml (e.g. *Prima* apple raspberry fruit drink, *Powerade*)
  - 30% (or 70 cents a litre) for those with added sugar of 10.1g/100ml or more (e.g. *7ups*, *Pepsi*)

- The government to consider VAT exemption on bottled water to lower the cost to consumers.

- The government to enact *Advertising and Promotion of Unhealthy Foods and Non-alcoholic Beverages to Children 2014 by* amending the *Food Safety Act 2003.*

3.2 Duty on Energy Drinks

Duty on energy drinks should also be increased based on our proposal for high taxes on sugar-sweetened drinks. Apart from high sugar content, energy drinks contain high quantities of caffeine and other potentially harmful additives. They are also linked to non-communicable diseases (heart problems, overweight, diabetes, gum diseases, sleep and anxiety problems) are one of the popular choices for young consumers. Drinks like *Monster*, *Red Bull* and *V* currently incur 32% fiscal, 15% excise duty and 15% VAT. 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 introduce health tax on energy drinks to deter younger generation of drinkers and assist in controlling NCDs.

4.0 Review of Previous Budget Policies: Credit Card Levy, Stamp Duty, VAT on Insurance

The Council calls on the Government to review these two policies due to difficulties faced by consumers and the general public since its implementation.

4.1 Review Implementation of Stamp Duty

Administration of stamp duty (SD) were transferred to FRCA in April 2011 and new Stamp Duty rates were introduced in the 2013 Budget affecting all instruments.

There were new SDs and increases in existing ones. The following are examples where consumers have been unfairly treated through exorbitant increases and unfair application of the SDs:

Hire Purchase - From 2013, consumers who enter into hire purchase agreements were required to pay $10 SD for each agreement (an increase of 900%). CCF found that hire purchase companies like Courts had retrospectively applied the $10 SD on all active accounts although the *Stamp Duties (Amendment) Decree 2013* expressly stated 1st January 2013 as the effective date for the new rates, Customers were charged $10.00 for an agreement entered into prior to 1st January 2013 when the law allows for only $1.00 to be charged on such agreements. The Hire Purchase Companies failed to honour their legal obligation to collect $1.00 as was required prior to 1 January, 2013. Charging $10.00 for the agreements executed prior to 1st January 2013 is contrary to law. The question is where did the extra money collected from consumers go it? Did it go to FRCA? If yes, why did they accept the money?

Furthermore while the Decree says that in hire purchase agreements "persons primarily responsible" for the SD are "the parties", it is only consumers who are pay the $10 duty. FRCA has not properly administered the application of the new stamp duties and no attempt had been made to penalise hire purchase companies for not remitting SDs prior to the amendment decree. No action has been taken in regards to hire purchase providers using the SD to generate more revenue through penalty fees.

Lease/rental of Residential Properties $500 - Consumers or residential tenants have to pay a sum of $500 SD for their residential tenancy agreements which the CCF finds to be exorbitant and unreasonable. This affects the majority of ordinary consumers, considering the fact that most flats or residential lots on lease range from $200 to $300 and the tenants are expected to pay $500 for stamp duty. Most people cannot afford to own houses. Instead resort to renting out flats for convenience. There is also a $5 SD on variation of rent. Tenants are struggling with the rising cost of living, thus, finding $500 to pay for stamp duty is unreasonable. Stamp duty should not be a revenue-generating item but it should be based on costs involved.

Travel Insurance, 15% of gross premium – Stamp Duty on travel insurance is exorbitantly high. This extra cost discourages consumers from taking travel insurance, an important consideration to protect against losses incurred from accidents, medical emergencies, baggage losses etc. For example one insurance provider[8] charges a premium of $112 (single) for 8 days travel (<69 yrs of age), the consumer has to pay an extra $16.80. A family travelling for 8 days would have to pay $31.95 more.

Requests:

- Stamp duty on rental agreements for residential properties should be reduced immediately. This would ensure that consumers are not paying SDs that is exorbitantly higher than the rental rate they pay. A lower SD for residential agreement is logical considering that such agreements are less complicated than HP agreements which only incur a $10 SD.

- FRCA should review and improve its management of stamp duties. It must monitor and be able to impose penalties on hire purchase providers who are late in remitting SDs collected from consumers. HP providers are left to impose penalties on consumers, but are not subject to the same rules by FRCA, particularly when there is no proper monitoring by the tax authority (as shown by the non-remittance of SDs by Courts prior to the amendment decree and new rates).

- Stamp duty on travel insurance should be reduced from 15% to 5%, to be on par with the SD on motor vehicle insurance.

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[8] BSP Continental Travel Safe premiums as at August 2014. http://www.bsplife.com.fj/Products/Travel-Insurance-Plans/Continental-TravelSafe.aspx

- Stamp duty should be set according to costs involved and should not be a revenue-generating item.

4.2 2% Credit Card Levy

The application of the 2% Credit Card Levy has been done erratically by the banks resulting in losses to consumers. Banks have charged the levy on credit card holders' accounts according to their (bank's) own billing cycle which does not equate with the due dates. 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 <u>day the statement is released</u>. 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. In accordance with the Decree, the Credit Card Levy *"…for a monthly billing cycle shall be computed by applying the rate of 2% to the debit balance at the end of the day specified as the due date for payment for the monthly billing cycle of the holder of the bank credit card including interest and other charges."* By virtue of this provision, the 2 % credit card levy is imposed on the due date of the billing cycle as of 1st January 2013. The levy is required to be calculated on the outstanding balance of a consumer's credit card as it appears on the credit card statement due date. There should be no levy charged to customers who have cleared their total outstanding balance in advance of the credit card statement due date. The overcharging of consumers by FRCA is a direct breach of the Income Tax (Amendment) Decree 2013. The anomaly has resulted in the consumers being overcharged and the Council's efforts in 2013 to get redress have reached the Complaints Management Forum without any resolution to date. FRCA has not reimbursed the levy collected from consumers who have been wrongly charged by their banks.

Requests:

- Government should scrap the application of credit card levy. Credit card is not only used by rich but also by ordinary consumers and small business that rely on credit card to meet additional expenses. Credit card gives the leeway to delay the payments when they don't have ready cash on hand. In fact people who are rich will clear their dues on time to avoid 2% credit card levy. The levy is a disincentive and a deterrent to consumers who want to make use of credit card facility for the purpose it was created for.

- FRCA must reimburse the money to banks so the affected consumers' accounts can be readjusted.

4.3 Capital Gains Tax

Capital Gains Tax (CGT) came into force on May 1, 2011 via the *Capital Gains Tax Decree 2011*. CGT is at a rate of 10% on capital gains on the disposal (sale) of capital assets such as lands, buildings, yachts, shares and other financial assets. The tax is applied on the disposal of capital assets wherever located. The CGT is applied on the disposal of an individual's principal place of residence if it was the individual's residence "*during the whole of the period the individual owned it*". This exemption is of concern to the Council, as it affects property owners who are required to move to other places within Fiji due to employment requirements. As it stands, the exemption is granted when the property owner resides during the whole of the period the property is owned by the owner. Nevertheless, if the owner does not occupy the place of residence during the whole of the period he or she owned it, he/she would <u>not be</u> exempted from the capital gains tax. The exemption ideally should exclude this last clause as it is unfair on property owners (civil servants, bank officers) who have to move residences due to work commitment and they end up renting elsewhere.

Requests:

- Government should review the exemptions on CGT as provided for in Section 7(1) of the *Capital Gains Tax Decree 2011*. Property owners should be exempted if they are disposing off their principal place of residence, irrespective of whether they have or have not lived there for the whole period of ownership.

5.0 OTHER POLICY ISSUES

5.1 Consumer Security Deposits (SD)

Consumers pay refundable deposits to service providers such as FEA, Water Authority, phone companies and so forth. Service providers are holding on to millions of dollars of underutilized funds which is “dead money”. CCF knows that six major service providers keep the SDs in non-interest bearing bank accounts, while one service provider 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, it held $34.3 million dollars in security deposits. Fiji is losing out in terms of the investment potential of such funds.

Requests:

The Council resubmits its requests to the Government made in the **2014 submission:**

- Government should set up an independent *Securities Commission* to manage security deposits and later include rental bonds (once the legislation for this is in place). Consumer 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. These funds can be used to generate interest which the government can utilize for the public good, such as infrastructure or hospital improvement etc. Consumers can also receive a portion of the interest when they decide to end their service contracts or close their accounts.

5.2 Insurance

Insurance plays an important role in risk management and helps consumers to recover from unforeseen damages and losses. Health insurance is being heavily marketed by insurance providers and this form of insurance not only benefits those who can afford, but it helps relieve the Government of the burden of health and medical care. 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. There are no appropriate redress mechanisms available to enable consumers to seek speedy resolution of their complaints against insurance providers.

5.2.1 Review of Compulsory Third Party Insurance

Compulsory Third Party Insurance (CTPI) is a compulsory insurance with an intended purpose to protect accident victims. Unfortunately, the unreasonable exclusion clauses drawn by the insurance companies have left the grieving families or the accident victims to become government’s responsibility. The victims’ families end up meeting health costs or loss of productivity (through welfare system) thus defeating the purpose of CTPI. In all fairness, the insurance industry must be made accountable for accepting third party insurance and not being unethical in attending to claims.

Requests:

The Council resubmits its requests to the Government made in our **2013 and 2014 submissions**, that:

- Government should create an *Accident Compensation Commission* that could cover for compensation for various types of claims for accidents, including motor vehicle accidents and workplace accidents thereby providing timely redress.

- Review the CTPI legislation – *Motor Vehicles (Third Party Insurance) Act* and *Regulations* so that victims of motor vehicle accidents are adequately protected and fair compensation by insurance companies are awarded to the victims.

5.3 Privacy Laws and Protection of Consumers Financial Information

The Council resubmits **its 2013 and 2014 Budget submission** in regards to the non-legislated status of debt collection agencies like Fiji Data Bureau. Fijian consumers' personal financial and related information are not protected by any specific laws and regulations; and are thus being used or traded by 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 specific privacy laws in Fiji, apart from the general provision in the 2013 Constitution, 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 is required or taken prior to 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 credit reporting regulations and privacy laws that protect consumers' rights. Data Bureau in collusion with credit providers deals 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 to govern the conduct of debt collection agencies, and credit providers that are collecting or exchanging personal financial information of consumers. Debt collection agencies should be government entities established under specific laws due to the nature of the business i.e. recording, collecting and exchange of consumers' personal financial information.

- A Privacy Act should be adopted to guarantee the security of personal information of consumers when such information is collected and kept by financial institutions, and credit providers. The Act should contain regulations that limit how credit providers, banks, traders and debt collection agencies use and exchange the private financial information of consumers.

5.4 Legal Aid Commission

The Legal Aid Commission was established to provide equal access to the justice system for people who are unable to afford lawyers due to their lower economic status. The Commission is a good example of how Government can facilitate access to legal services for poor people. The Commission recently removed the merit based assessment of legal aid applications to ensure that services are rendered based on need rather than the case. Apart from other services such as drafting wills, taking out letters of administration, dealing with probate matters, etc, the Commission prioritizes its work in criminal and family law matters. CCF believes there is scope for the Commission to expand its services to include some civil cases for consumers from very poor background. There are consumer redress cases which cannot be resolved through CCF because it requires court intervention. Small Claims Tribunal has a pecuniary jurisdiction of $5,000 and consumers who have claims more than $5,000 are not able to seek assistance from these tribunals. Complainants often have no other choice but to seek redress through the normal courts of law, which are legal and complex in nature. As such these consumers need the assistance of qualified and experienced lawyers whose services are not always affordable. The Council believes that Legal Aid Commission can assist in these cases particularly where the applicants cannot afford a lawyer or related court costs.

Request:

- Legal Aid Commission to consider including civil actions for vulnerable consumers/applicants.
- Review and reform the Legal Aid Act 1996 to include civil and consumer actions that can be dealt with by the Legal Aid Commission.

5.5 Licensing of All Telecommunication Service Providers – Mobile Service Providers

The telecommunications or ICT sector is a very important one for economic growth and nation-building. As such it is crucial that there are appropriate policies and laws to facilitate its expansion and development particularly for the mobile or wireless market. Apart from ensuring good consumer protection, it is equally important to have good competition and fair play in the market. There are only three licensed mobile phone networks or operators in Fiji – TFL, Vodafone and Digicel. A fourth mobile service provider – Inkk Mobile – is not a licensed operator or network provider. It is simply a registered business and regarded as a re-seller of mobile phone services. Despite it being a provider of mobile phone services – calls, texts and data – Inkk does not operate under the same rules administered by the Telecommunications Authority of Fiji (TAF). Inkk Mobile operates like a MVNO (Mobile Virtual Network Operator) whereby it has entered into a business agreement with Vodafone (network operator) to resell its services to consumers. A licensed MVNO normally enters into a business agreement with a mobile network operator to obtain bulk access to network services at wholesale rates, and then sets retail prices independently. Inkk Mobile, however, does not have an MVNO license from Government; it only operates as a “re-seller” of Vodafone call, text and data services. Vodafone has provided some of its TAF-allocated phone numbers to Inkk, however there is no disclosure to distinguish on which number prefixes (e.g. 9X, 8X) or ranges is used by each one. This results in an anti-competitive behaviour where consumers are not able to make informed choices. Consumers making a call or text are unable to discern whether the receiving number is an Inkk or Vodafone number. This results in confusion and can cause consumers to incur charges on their normal credit while subscribing to a promotion (such as Real Freedom Pass where the bundle free services are only for Inkk to Inkk services). The confusion and unfairness to consumers could be prevented if Inkk’s had its own proprietary numbers allocated by TAF. This could also be avoided if Vodafone and Inkk both disclosed which set of numbers each one was using.

Requests:

- Inkk Mobile and any other service providers intending to re-sell mobile services to be properly licensed and be required to obtain the appropriate licenses from Government/TAF. No business or service provider should be allowed to re-sell or trade in communication services to consumers without proper licensing. This will encourage competition in the marketplace and will create a level playing field for all operators.

- Government and TAF to seriously take steps towards having Mobile Number Portability (MNP) in Fiji.

5.6 Financial Services

Economic growth, poverty reduction and financial inclusion can only be achieved if Fiji has an accessible, affordable and efficient financial services environment where consumers get value for their money, fair returns on savings and fair service delivery. Consumers, however, continue to face a range of problems in the financial services sector (including credit and hire purchase). This includes unfair contract terms, exorbitant fees and charges, un-equitable access to financial services, and lack of independent legal or financial advices. The Council's research report *Banking Services in Fiji: From Consumers' Perspective* (2011)[9] has documented real problems faced by consumers and we have been lobbying for fair financial services since 2010. In the banking sector, the principal regulator, *Reserve Bank of Fiji* has not been helpful in addressing consumer complaints and its Complaints Management Forum – a feeble attempt on a consumer redress system has virtually failed. Consumer complaints that the Council had taken to the forum such as mortgagee sales, credit card levy, insurance etc have not been resolved. The forum has become an ineffective attempt to address consumers complaints and concerns. This is again evidence of the need to establish an independent body to overseas consumer complaints in the financial services sector. There is also a dire need for policy and regulatory reform. Laws such as the *Consumer Credit Act* 1999 and its Regulations 2009 are in need of an overhaul to ensure consumer protection and fair play particularly in the credit and hire purchase markets. The Council's reseach report *The Hire Purchase Industry in Fiji* (2012)[10] unearthed unethical practices in the hire purchase sector such as non-disclosures, unfair contracts, high interest rates, substandard products, warranty problems etc.

The HP industry is an important industry for consumers and for the durable goods market. There is, however, a need for serious attention to the industry by the regulating authorities. A number of unethical practices, together with practices which are contrary to the law, need to be put to an end. This report has listed a number of such practices.

Requests:

- Establishment of an independent Financial Services Commission and or a Financial Ombudsman to look after consumer complaints and redress in regards to financial services including hire purchase, moneylending, insurance etc.

- Government to review the *Consumer Credit Act* 1999 and *Regulations 2009* to strengthen consumer protection and ensure fairness in the hire purchase sector.

- Government to seriously considerthe findings and recommendations of the Council's reports: *The Hire Purchase Industry in Fiji* (2012), *Review of Consumer Credit Act and Regulations from Consumers Perspective* (2012) and *Banking Services in Fiji: From Consumers' Perspective* (2011).

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[9] http://www.consumersfiji.org/upload/Reports/CCF%20Bank%20Services%20Rpt.pdf
[10] http://www.consumersfiji.org/upload/Resear%20h%20Reports/CCF%20HP%20report%20AL%2001.pdf

5.7 Appreciation of Fiji Dollar

The Government should revalue the Fiji Dollar upwards as a way to deal with high cost of living. Both businesses and consumers now rely more on imported products from manufacturing to retailing. As a result, we are paying more due to our weak currency. It is a fact that even locally-manufactured goods rely heavily on imported raw materials and equipment. Weakened currency assists when we are export dependent, however, in Fiji's situation we are more import dependent. It is significant to note that consumers are not the only ones to benefit from a stronger dollar, but the government as well when it comes to paying off loans.

Request:

- Government to revalue and appreciate Fiji Dollar by 5%-10%.

6.0 Budget and Government Policy Monitoring

In the 2014 Budget, the Government announced two important policy iniatives that the Council had commended as these had positive implications for consumers. These were the establishment of the Consumer Complaints/Compensation Tribunal and a Price Monitoring and Surveillance Taskforce. Since the announcement of these initiatives in November 2013, there has been very little progress in terms of implementation.

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APPENDICES

APPENDIX 1

Price change of basic food and non-food items, 2006 to 2014 (CCF Price Surveys)

Comparisons of changes in prices of selected basic food and non-food items, 2006 – 2014

#	Basic Items	Qty	Prices 2006 - 20014									July 2013-14		July 2006 - 14	
			Jul-06	Jul-07	Jul-08	Jul-09	Jul-10	Jul-11	Jul-12	Jul-13	Jul-14	$diff	% diff	$diff	% diff
1	FMF/Punjas Flour	4kg	3.55	3.91	5.66	4.74	5.00	5.82	5.28	5.62	5.55	-0.07	-1.25	2.00	56.3
2	FMF/Punjas Sharps	4kg	3.55	3.91	5.68	4.76	4.76	5.89	5.18	5.72	5.83	0.11	1.92	2.28	64.2
3	Rewa Butter	500g	3.21	3.39	4.55	3.45	5.46	6.23	7.40	7.40	9.13	1.73	23.38	5.92	184.4
4	Rewa Life	1 L	1.52	1.55	1.70	1.07	2.12	1.98	2.79	2.76	2.78	0.02	0.72	1.26	82.9
5	Rewa Powdered milk	500g	3.66	5.28	5.75	3.77	5.44	5.33	5.94	5.95	6.94	0.99	16.64	3.28	89.7
6	Red Cow Powdered milk	450g	3.66	5.28	5.75	4.47	5.35	5.39	5.50	7.48	8.25	0.77	10.29	4.59	125.4
7	Punjas Rice LG Siam Rice	4kg	5.34	6.01	8.68	8.12	7.73	6.54	6.54	6.27	5.53	-0.74	-11.80	0.19	3.6
8	Punjas Soya Bean Oil	750 ml	1.83	2.56	2.83	3.32	2.98	4.11	3.80	3.55	2.98	-0.57	-16.06	1.15	62.8
9	Sugar	2kg	1.36	1.51	1.55	1.95	1.99	4.41	3.71	3.55	3.53	-0.02	-0.56	2.17	159.5
10	Sunbell canned tuna	170g	0.84	0.84	0.77	1.04	0.96	0.99	1.30	1.30	1.30	0.00	0.00	0.46	54.8
11	Bathing Soap	1pkt	0.79	0.80	0.90	1.09	1.01	1.02	1.03	0.79	0.94	0.15	18.99	0.15	18.9
12	Eggs	660g	3.51	3.74	3.03	4.08	4.48	4.51	4.70	4.49	4.68	0.19	4.23	1.17	33.3
13	Onions	1kg	1.25	1.35	1.10	1.67	1.60	1.49	0.98	1.28	1.35	0.07	5.47	0.10	8.0
14	Potatoes	1kg	0.97	1.14	1.47	1.27	1.26	1.37	1.11	1.39	1.37	-0.02	-1.44	0.40	41.2
15	Corned beef	340g	3.93	4.04	4.02	3.52	3.8	3.93	4.16	4.18	4.17	-0.01	-0.24	0.24	6.1
16	Corned mutton	340g	3.05	3.18	3.38	3.43	3.89	4.12	4.64	4.65	4.64	-0.01	-0.22	1.59	52.1
17	Salt	1kg	0.57	0.6	0.74	0.93	0.91	0.83	0.83	0.81	0.81	0.00	0.00	0.24	42.1
18	Tea leaves	200g	1.5	1.46	1.58	2.26	2.22	2.03	2.08	2.06	2.16	0.10	4.85	0.66	44.0
19	Canned fish	425g	1.26	1.32	1.3	2.23	2.1	2.63	3.34	2.57	2.57	0.00	0.00	1.31	104.0
TOTAL			$46.27	$53.20	$62.32	$61.18	$66.27	$68.62	70.34	71.82	74.51	2.69	3.75	$28.24	61.0%

APPENDIX 2

Price Movement: July 2006 – July 2014

** Average National Prices[11]

#	Basic Items	Qty	Jul-06	Jul-14	$ diff	% change
1	FMF/Punjas Flour	4kg	**3.55**	5.55	2.00	*56.3*
2	FMF/Punjas Sharps	4kg	**3.55**	5.83	2.28	*64.2*
3	Rewa Butter	500g	**3.21**	9.13	5.92	*184.4*
4	Rewa Life	1 L	**1.52**	2.78	1.26	*82.9*
5	Rewa Powdered milk	500g	**3.66**	6.94	3.28	*89.7*
6	Red Cow Powdered milk	450g	**3.66**	8.25	4.59	*125.4*
7	Punjas Rice LG Siam Rice	4kg	**5.34**	5.53	0.19	*3.6*
8	Punjas Soya Bean Oil	750 ml	**1.83**	2.98	1.15	*62.8*
9	Sugar	2kg	**1.36**	3.53	2.17	*159.5*
10	Sunbell canned tuna	170g	**0.84**	1.30	0.46	*54.8*
11	Bathing Soap	1pkt	**0.79**	0.94	0.15	*18.9*
12	Eggs	660g	**3.51**	4.68	1.17	*33.3*
13	Onions	1kg	**1.25**	1.35	0.10	*8.0*
14	Potatoes	1kg	**0.97**	1.37	0.40	*41.2*
15	Corned beef	340g	**3.93**	4.17	0.24	*6.1*
16	Corned mutton	340g	**3.05**	4.64	1.59	*52.1*
17	Salt	1kg	**0.57**	0.81	0.24	*42.1*
18	Tea leaves	200g	**1.50**	2.16	0.66	*44.0*
19	Canned fish	425g	**1.26**	2.57	1.31	*104.0*
TOTAL			**$46.27**	**$74.51**	$ 28.24	*61%*

APPENDIX 3

Table 3: Price Survey, Av Prices of Milk, Butter (CCF Price Surveys)

Product	Qty	Survey prices July 2012 – July 2014			Price Changes $ and %			
		July 12	July 13	July 14	2012 - 2013		2012 - 2014	
Rewa Butter	500g	$7.40	$7.40	$9.13	$0.00	0%	+$1.73	+23.4%
Rewa Life	1l	$2.79	$2.76	$2.78	-$0.03	1.0%	-$0.01	-0.4%
Rewa Powdered milk	500g	$5.94	$5.95	$6.94	$0.01	0.1%	+$1.00	+16.8%
Red Cow Powdered milk	450g	$5.50	$7.48	$8.25	$1.98	36%	+2.75	+50%

[11] CCF monthly supermarket price survey – Suva, Lautoka & Labasa 2006 - 2014

APPENDIX 4

Shrinkage Quantities & Rising Prices Analysis – June 2014

(** Old prices obtain from monthly price survey and archival price information)

#	Product	Previous Qty	Previous Price	$ per unit	Current Qty	Current Price	$ per unit	Qty changes(+/-) , %	Price changes (2014)	$ per unit changes (+/-), %
1.	Ocean/Victory washing soap	900g (27-02-08)	$3.49 [MHCC]	$0.0039/g	800g	$4.29 [MHCC]	$0.0054/g	-100g (11.00%)	Increase of $0.80 – 22.9%	+$0.0015/g -- 38.46%
2.	Colgate Herbal	110g (27-02-08)	$1.99 [MHCC]	$0.0181/g	100g (08-04-14)	$1.99 [MHCC]	$0.0199/g	-10g (9.09%)	No change	+$0.0018/g – 9.94%
3.	Rewa powdered milk	500g (14-01-10)	$5.41 [New world]	$0.0108/g	450g (08-04-14)	$7.25[New world]	$0.0161/g	- 50g (10.00%)	Increase of $1.48 27.3%	+$0.0053/g – 49%
4.	Red Cow powdered instant milk	500g (14-01-10)	$5.85 [New world]	$0.0117/g	450g (08-04-14)	$8.59 [New world]	$0.0191/g	- 50g (10.00%)	Increase of $2.74 46.8%	+$0.0074/g – 63.25%
5.	Hibiscus matches	Pack of 12 (13-02-13)	$2.15 [New world]	$0.1792/pkt	Pack of 10 (08-04-14)	$1.99 [New world]	$0.1990/pkt	-2 packets (16.67%)	Decrease of $0.16 – 7.4%	+$0.0198- 11.05%
6.	LPG (cooking gas)	13kg (2009)	$40 (Av. Price)	$3.0769/kg	12kg	$48.92	$4.0767	-1kg (7.69%)	Increase by $8.92 – 22.4%	+$0.9998 – 32.49%
7.	Cold Power laundry detergent	1.35kg (2007)	$6.00	$4.44/kg	900g	$4.00	$4.44/kg	450g (33.3%)	Decrease by $2.00 – 33.3%	No change
8.	Sudso laundry detergent	1kg (2008)	$4.00	$4.00/kg	900g	$3.60	$4.00/kg	100g (10%)	Decrease by $0.40 – 10%	No change