



CONSUMER COUNCIL OF FIJI

2011 National Budget Submission

September 2010

1.0 INTRODUCTION

The Consumer Council of Fiji (hereinafter referred to as ‘the Council’) welcomes the Fiji Government’s call for submissions on the 2011 National Budget. The Council is the representative of the largest socio-economic group, i.e. consumers. As a statutory body established under the *Consumer Council of Fiji of the Act 1976 (CCOF Act)*, the Council is mandated by law to represent consumer or members’ views concerns and issues. The Council has the legal duty to ensure that the most disadvantaged, poor and needy are not marginalized by economic policies and that the concerns of these groups are included in the formulation of Government’s principal policy document, i.e. the National Budget. Amongst other functions, the Council is empowered (under Section 6 of the Act) to: ... **“make representations to the Government or to any other person/organization on any issues affecting the interests of consumers.”** The Council mainly functions as an independent watchdog to create a fair and just delivery of goods and services in the marketplace. The Council’s insight into consumer needs and issues is a powerful tool for influencing decision-makers to bring about change.¹

1.1 Issues for consideration in the 2011 National Budget

We acknowledge that the government is facing some very difficult decisions in the forthcoming Budget if it is to address the current economic crisis. However, the challenge is not just one of balancing expenditure cuts against tax revenue. The Government also has an obligation to protect its most vulnerable citizens, by ensuring that any changes in policy or spending do not hurt those who cannot take any more hardship

In the following sections, the Council outlines some of the pertinent issues facing consumers. The Council is well placed to provide a realistic assessment of consumer concerns. This is primarily due to its functions of being the receiver of official consumer complaints; conducting regular market surveillance (price surveys, trader visits, product scrutiny); and research. These functions allow the Council to get a first-hand insight into the problems that consumers face in the market place. The issues addressed in the following sections are what we consider priority areas that we hope the Government will consider in the formulation of the 2011 National Budget. However, the Council wishes to stress that this list is by no means exhaustive.

2.0 Rising Cost of Living

Wages and salaries have remained same but consumers are expected to dig deeper into their pockets to make ends meet. Consumers are also struggling to maintain standards of living. Consumers are faced with several challenges The Council’s monthly price surveys since 2006 has noted significant increases in the price of essential food items, some by nearly 250% during the July 2006 – July 2010. For example the price of 1kg of *dhal* (split peas) – a major source of food protein – increased by 248.91% during this period. There was a mere 5.03% drop in price between July 2009 – 2010. Also Rewa Butter, a staple breakfast items for many families including the poor, increased by 70.09% during this period, and between July 2009 – July 2010 there was a 58.26% hike in prices due to a PIB regulated increase. Eggs (600gm) increased by 40cents or 9.8% since July last year. The price of Rewa Powdered Milk increased by 44.30% from July 2010, while Rewa Life (liquid milk) went up by 24.71%. Interestingly the Council’s surveys have found that Government incentives hardly benefit consumers.

¹ More information on the Council is available on its website: www.consumersfiji.org

The percentage price increases since July 2006 were higher than the inflation change of 3.7% between 2006-09.² The Reserve Bank of Fiji had stated that consumer prices increased by 8.7% after the 2009 devaluation of the Fiji Dollar by 20%. However, the Council's price surveys which provide a more accurate off-the-shelf assessment showed that price increases actually went beyond the 20% mark and in some cases by as much as 100%.

The Council's price surveys also show that Government incentives on pricing do not benefit consumers. For instance, our survey of 10 cooking oil, rice and canned fish products show price increases for all except one item. Some of the increases, from when the zero-rating was given in June 2008 till July 2010 are: Punjas Soya Bean Oil (750ml) had increased by 10.78%; Punjas long grain Siam (10kg) rice up by 67.74%; Sun Bell Tuna (170g), the popular canned tuna for low-income earners increased by 23.08%; and Pacific Ocean Mackerel (425g) up by 36.77%. The only drop in price was for Punjas long grain Siam rice (4kg), gone down by 21.16%. The price increases defeat the whole purpose of zero-rating these items, i.e. for consumers to benefit from low and competitive prices. Furthermore, we all know that health is not an issue that can be considered in isolation. More than ever external forces impact heavily on health. One way of promoting healthy living is by making unhealthy food expensive and healthy food cheaper. In 2008 Government removed duty and vat on oil. This led to inferior quality of oil being dumped into Fiji. Palm oil and soya bean oil is mixed and sold to unsuspecting consumers who prefer refill of oil. The Council believes we must reconsider making healthy oil affordable and banning palm oil into Fiji.

The increase in food bills is one portion of the rising cost of living. In June 2010, the Fiji Electricity Authority's Domestic Life-Line tariff cap dropped 8.21KWh to 4.27KWh. This meant that consumers used to paying 20.59cents/KWh for consuming less than 8.21KWh per day have had to drop their daily average consumption by 48% to 4.21KWh. In other words allowable consumption for the Life-Line Tariff has been halved and electricity bills have doubled putting more consumers into hardship. It is for these reasons that Government-funded household energy efficiency measures are needed such as energy saving lights and increasing the duty on inefficient appliances.

Consumers from our neighbouring countries (Australia & New Zealand) only pay 12.5% GST on staple food items whereas Fiji consumers pay both fiscal or excise duty and 12.5% VAT except those products which are zero rated.

2.1 Requests

The Council requests the Government to:

- Increase duty on unhealthy food items to reduce government expenditure on health bills. See Attachment 1- Table 1;
- Reduce duty on food items that is essential to our senior and young children. See Attachment 1 Table 2;
- Reduce duty on non – food items commonly used in all household. See Attachment 1 Table 2; and

² Reserve Bank of Fiji, Quarterly Review, March 2010. www.rbf.gov.fj

- Make school books VAT exempted on the grounds that there should be 'no tax on knowledge'.
- Remove VAT on electricity bill for those consumers using less than 250 KWH per month.
- Impose higher duty on unhealthy oil (e.g. Perfect Choice Oil³) sold to low-income earners who are at risk. Decrease or remove duty on healthier oils such as Olive, Rice Bran and other similar oils for it is affordable to more consumers;
- Ban Palm oil for human consumption which is being mixed by retailers with Soya Bean oil.

3.0 PERSONAL TAX REFORM

Since 2007, consumers are struggling with increase in cost of living with no changes to their pay packet. Cost of products and services have increased including transport, utilities, The household budgets will give the value of true 'disposable' income which is — income left over after utilities, housing, food, transport, health and education needs have been accounted for. With limited or no disposable income is having a negative impact on consumer spending.

To stimulate economic growth through consumer spending requires reduction in personal income tax. Cutting taxes increases the incentive to work and invest which not only stimulates the economy in the short run but underpins an increase in the long run potential growth rate of the economy. Personal tax cut will deliver an improvement in taxpayer wellbeing beyond that which would flow from higher disposable incomes.

3.1 Requests

The Council requests the Government to reduce the taxable income from the current amount of \$15,001 to \$10,000.

4.0 EDUCATION

Access to education is a basic consumer right of all children to prepare themselves for a productive and secure future. Education provides prospect for social and economic development by lifting people out of poverty which results in improving their quality of life and that of their communities. The Council supports the efforts of the Government in promoting education for all. The Ministry of Education provides grants to schools in terms of tuition fee, free books and payment of teachers' salaries etc however it seems that the school management and principals are not appreciating the efforts put in by the government, donor agencies and NGOs to make education accessible to all. This can particularly be seen in the excessive school fees and charges levied by schools which is deterrent to a child's education especially in a country where 40 percent of its population are living in poverty. The Council believes that Government must ensure the grants it gives is not used to maximize the school's revenue and thus making education unaffordable and defeating Government's noble effort.

4.1 Requests

The Council requests the Government to:

- Determine the real cost of education per child and provide a standard uniform benchmark for levies across all schools in Fiji; and

³ Perfect Choice Oil containing palm or other oils, but market as 'Vegetable Oil'

- The Ministry of Education should reconsider free text books to secondary schools because most schools already have book hire scheme. What the Ministry might like to consider is encourage schools to continue book hire scheme by assisting those schools who are not running such schemes.

5.0 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 a costly and time consuming affair. In 2009, the Council launched a campaign on the Compulsory Third Party Insurance (CTPI). This insurance is compulsory with 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.

5.1 Requests

The Council requests the Government to:

- Create an Accident Compensation Commission that could deal with various types of accidents, including motor vehicle accidents and accidents at work places.
- Review the CTP legislation so that the victims of motor vehicle accidents are adequately and fairly protected not become State's or families burden.

6.0 MEDICINES

The high price of essential drugs is placing increased hardship on consumers, coupled with increases in the cost of health services. Fiji has about 16% of the population suffering from diabetes, while 19.1% suffer from cardiovascular diseases. Non-Communicable Diseases (NCDs) claims 400 people are year and are the leading cause of death and a cost borne by the public health system. The Council's survey on the conduct of the pharmaceutical industry in particular retail prices of medicines and the business practices of pharmacies has found a lack of choice of generic and branded medicines, exorbitant mark-ups and retail prices and pharmacies engaging in bad business practices. This year, the Council surveyed a total of 47 pharmacies in the Central/Easter, Western and Northern to gauge price variance of prescription medicines and also experience business practices in the market. The survey found exorbitant price differences in a pack of prescribed medicines.⁴ For example, for our 7-medicine prescription pack catering for a patient suffering from diabetes, cardiovascular ailments, high blood pressure and high cholesterol, we found the price to be as high as \$44.25 to as lows as \$13.45, which is a 229% price difference. In Central/Easter division a \$15 prescription can end up with a price tag of \$44. Even a pack containing all generic drugs can be as high as \$30.70 or as low as \$13.45. The Council found that 26 pharmacies (more than half surveyed) were mostly likely charging exorbitant prices beyond the allowable mark-up of 35%. Even the 35% mark-up and 45cents fees for dispensing, recording and container is very high considering Fiji's economic status and having 40%-plus people being poor.

⁴ The same prescription was used to purchase medicines in 47 pharmacies.

The surveyed also made some startling discoveries in regards to the business practices of pharmacies.

- In all pharmacies surveyed, none provided choice over generics or branded drugs.
- Seventeen (17) pharmacies violated labelling requirements in one way or another.
- 1 (23%) pharmacies in the sample did not provide price information on individual medicine packs or itemised these in their receipts. This is considered a violation of consumer right to pricing information.
- 12 (26%) pharmacies that did not have a pharmacy present, with only sales assistants dispensing medicines during the survey
- 49% of the pharmacies bothered to seek more information or verify the details of the patient on our prescription.
- One pharmacy had the wrong patient name on the medicine packs, instead of the patient's name as is the required practice.
- Some pharmacies have shareholders/owners who are not registered pharmacists as require under the ownership requirements in the Pharmacy and Poisons Act (Section 18(d) *all share capital of the body corporate is owned by registered pharmacists*)

Furthermore, there is an absence of proper drug registration process and quality control mechanism in Fiji. The pharmaceutical sector currently receives 35% return on their investment which is high as compared to other business.

What is being witnessed in our market place with most unregulated drugs is purely profit making at the expense of the consumers. State must intervene to increase the affordability of drugs. The current state of the pharmacy sector stems from: the lack of scrutiny and regulatory oversight by the Pharmacy & Poisons Board; an outdated and unfair price control order; and an apparent lack of proper or systematic industry code of practice.

6.1 Requests

The Council requests the Government to:

- Amending the Counter-Inflation Act Price Control Order No.5 1999 Ethical Medicine by decreasing the exorbitant wholesale and retail margins of medicines; and establish a list of essential medicines to be placed under fixed price control;
- Reviewing or strengthening the Pharmacy and Poisons Act and the Pharmacy & Poisons Board;
- Impose high penalties, suspensions or revocation of licenses for pharmacists and chemists who violate or contravene the Pharmacy & Poisons Act, Counter-Inflation Act and Fair Trading Decree;
- Establishing a visible point of redress where consumers can lodge their complaints;
- Establishing a systematic code of practice for the pharmaceutical industry.

7.0 WATER

Fiji's water woes are well documented. In urban areas, aging systems and rapid population growth have resulted in regular water cuts, while rural communities suffer from a lack of clean and safe piped water. Government policy on water (and sewerage) tends to focus a lot on the supply side of the equation. The Government needs to show similar effort in demand side management by encouraging water conservation and providing incentives to consumers

to treat water as a precious commodity. It is important to note that the impact of climate change on local water supply, especially in rural areas, is something that Government needs to consider. Water conservation through practical initiatives that reward consumers can help alleviate or minimise the country's water woes. Transporting water is a costly affair currently met by the Government. In this regard the Council urges the government to consider a *National Rainwater and Greywater*⁵ initiative similar to the Australian model.

7.1 Request

The Council requests the Government to provide Rainwater & Greywater Rebate or Duty-Free Scheme by giving tax rebate to household owners who purchase and install rainwater tanks or a grey water⁶ treatment system. Rebate amounts to be made according to water tank volume. For example in the Australia Scheme the rebate for 2,000 – 3,999 litre rainwater tanks is - A\$400. Rebate on grey water treatment can be set at \$500.

8.0 AIR TRANSPORT

Airlines are an integral part of Fiji's Tourism Industry and any disruptions or inefficiencies with flight operation and customer care will affect the industry on which millions of dollars of tax payers' monies are spent each year.

The current regulator of air services, the Air Transport Licensing Board (ATLB) is virtually defunct and has failed in its duties to be an effective regulator. The lack of effective service delivery contributes to airline inefficiency and added costs. For example, ALTB failed to monitor the operations of the Air Fiji and cancelled its license when the airline made a sudden exit from the market leaving consumers to knock on every door to recover their air fares.

The lack of will to regulate and police the operations of the airline industry is apparent in the way ATLB's board members are comprised which is made up of former employees of airline industry on the Board and this could be a reason there is reluctance to investigate the complaints. Perhaps, it is time to review the governing legislations that gave powers to these bodies with a view to demarcating their statutory roles and functions for better service delivery. In the meantime, the approval of airfares should be shifted to the Commerce Commission because of their ability to deal with the issue independently and having expertise to verify and approve airfares or fuel surcharge.

8.1 Requests

The Council requests the Government to transfer legal powers to the Commerce Commission to oversee the fare structure that is sustainable and fair to all parties, the industry and consumers alike.

9.0 MARITIME TRANSPORT

A government policy objective on marine transport is: "Communities and the country enjoy better access to passenger and cargo shipping services". The Council notes that inter-island shipping has improved a lot in terms of newly refurbished and larger ships serving the outer

⁵ *National Rainwater and Grey water Initiative*, <http://www.environment.gov.au/water/publications/action/pubs/nrgi.pdf>

⁶ Grey water is wastewater generated from domestic activities such as laundry, dishwashing, and bathing which can be recycled on-site for uses such as landscape irrigation cleaning drains, walls, etc. Grey water differs from water from the toilets which is designated sewage to indicate it contains human waste. Grey water composes 50–80% of residential wastewater generated from all of the house's sanitation equipment (except toilets).

islands including Rotuma. However, in recent months the Council has received complaints regarding the onboard and port services provided by the shipping companies. Some shipping companies disregard the provision of hygienic amenities and proper cargo bays for passengers. In some cases passenger belongings are stored together with live animals and other cargo. In recent months the Council received complaints from consumers whereby they had paid for tickets, but were unable to board their ship because the Fiji Island Maritime Safety Authority (FIMSA) had either stopped the vessel from sailing or asked the company to stop loading passengers. The most recent case in August when about 100 passengers on the Rotuma-bound *MV Westerland* were left stranded at Lautoka Wharf after FIMSA only allowed 244 passengers to board. FIMSA was on spot with its functions and responsibilities as the vessel was due to sail with over-capacity. However, what concerns the Council is the unscrupulous business practice of the vessel's owners Bligh Water Shipping who appeared to have deliberately over-sold tickets to passengers. While the passengers were able to get a refund, only after FIMSA's and the Ministry of Transport's intervention, the company should never have sold tickets beyond the ship's capacity. This practice of over-selling and overloading ships has become a habit amongst inter-island shipping companies and FIMSA is on the right path of tightening up controls in this regard.

Some of the other common complaints that the Council has received from consumers are those regarding:

- Non-disclosure of full information on ticket, condition of ship and freight charges;
- Consumers incurring costs due to ship delays or cancellation;
- Non-provision of bus transportation for ferry services in Vanua Levu;

9.1 Requests

The Council urges the government to:

- Strengthen FIMSA so that its work extends beyond maritime safety to include monitoring and enforcing service quality and shipping business practices. This includes monitoring ticket sales so that they match the regulated safety capacity of the ships and avoid consumers being turned back at the wharf after paying their tickets;
- Commerce Commission/PIB to investigate 'consumer freight charges' imposed by local shipping companies and set proper pricing standards;
- Government improve port facilities by providing basic amenities like proper toilets, bathroom and roofed waiting rooms.

9.0 HEALTH SERVICES

The government's on-going action to make public health care a "user pay" system for robust and efficient delivery of service is noteworthy. Alongside aligning services such as x-ray, ultra sound, blood tests and laboratory examinations within a current price structure is also a realistic move.

Since a lot has been achieved recently to improve health services by addressing issues such as shortage of doctors, up-to-date equipment and apparatus, making health stations sustainable and so forth, one area, that can further make inroads in strengthening consumers' access to affordable and reasonable health care is by rationalizing the service delivery on the basis "*who is in the position to afford and who is not*". Some people cannot afford the private

hospitals but still can fork out a small amount of money to avoid long-waiting period in three large public hospitals (Suva, Lautoka & Labasa).

The user pay system can be effective when the service delivery is timely and efficient. It is often the time factor that frustrates the consumer as the caliber and expertise of health care is not so much a problem per se. The Ministry of Health should engage with private medical practitioners by introducing a scheme where they could spend certain hours in the public hospital at a nominal fee so that these patients do not sit in a line for hours (sometimes up-to 6hours). The selling point should be that if private doctors see patients at a fee between \$10-\$20, a consumer will be willing to pay \$5 to see a doctor at a public hospital to avoid long waiting time. Also there is benefit in securing a clientele base that perhaps at times private practice does not offer. This will not only alleviate consumer frustration of long hours and becoming increasingly anxious about a loved one but also address loss of productivity for the working class, whose time is spent in the hospital unnecessarily. This system can also take the pressure off the public hospitals.

While the Government is not required to implement a subsidy scheme, it can however, encourage private-public-partnership by giving incentives to those private doctors who are willing to assist as part of the social obligation. Sharing workload will ease up the pressure at the public hospital and truly offer choice to the consumers in terms of their affordability as some consumers want to pay – as long as their waiting period is cut down and service is reasonable and prompt.

9.1 Requests

The Council requests the Government to:

- Introduce a scheme where consumers can pay and get reasonable and prompt health care and treatment at public hospitals, especially in the Outpatients Department; and
- Implement a pilot test within Suva area and see the outcome.

10.0 SENIOR CITIZENS

Fiji's traditional welfare system, where the extended family is a source of security and care for the elderly, is withering away. Even for retirees or pensioners, their situation is becoming dire, as their FNPF savings/pensions cannot match the increase in cost of living and overall inflation. Among older people the most vulnerable include those on very low incomes who are struggling to feed themselves or those who are dependent on state services because they have an illness or disability, those living alone, and people who are isolated without adequate transport. These people, who have so little, have the most to lose if their needs are not recognised by policy makers drawing up the current budget.

Government must introduce schemes to mitigate problems faced by the elderly that ranges from housing, medical aid, travel, to socialising to name a few. There are policies that discriminate our senior citizens such as exorbitant fees imposed by FNPF for the withdrawal of funds by pensioners and unnecessary hassle of filling a form and getting a signature from a JP to prove they are still alive. Medical insurance also discriminates older persons by imposing high premium which lacks clarity or transparency in the manner premium rates is fixed. Also concern is on the cut off age for travel insurance for our elderly.

10.1 Requests

The Council requests the Government to:

- Provide higher tax relief to children or relatives looking after the elderly;
- Provide free bus fare scheme
- Provide full service money management services available that are designed specifically for the senior citizens' needs. This would enable our Senior Citizens to receive confidential financial guidance, financial education and counseling.
- Establish a special health care scheme for the elderly in both the public and private health services. This should involve free or subsidised medical checks and treatment for senior citizens above the age of 55 years. Elderly citizens are provided subsidized prices for essential medications and treatments in both public and private hospitals/health centres.