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## **STANDING COMMITTEE ON ECONOMIC AFFAIRS**

# **REPORT ON THE PETITION TO INTRODUCE SERVICE FEE IN TOURISM INDUSTRY**



**PARLIAMENT OF THE REPUBLIC OF FIJI**  
**Parliamentary Paper No. 100 of 2016**

*February 2017*

*Published and Printed by the Department of Legislature, Parliament House, SUVA*

## TABLE OF CONTENTS

CHAIR'S FOREWORD .....	
LIST OF ACRONYMS .....	
RECOMMENDATIONS .....	
INTRODUCTION .....	
Background .....	
The Standing Committee on Economic Affairs.....	
Procedure and Program.....	
CONCLUSION .....	
APPENDICES .....	
Appendix 1: Copies of Written Submissions Received by the Standing Committee on Economic Affairs .....	

## **CHAIR'S FOREWORD**

On behalf of the Standing Committee on Economic Affairs who were tasked under Standing Order 37 (5) to look into a Petition to Introduce a Service Fee to be charged to all Guest Bills for the purpose of supplementing the incomes of Tourism Industry Workers in Fiji, I wish to report the following:-

The Committee consulted and deliberated on presentations received from relevant stakeholders.

Upon conclusion of deliberations the Committee decided that there was no need for further consultations and that no further action would be necessary.

I take this opportunity to thank the Hon Members involved in the production of this report and also the Parliamentary Staff who assisted.

On behalf of the Standing Committee of Economic Affairs, I commend this report to the Parliament.



.....  
**HON. LORNA EDEN**  
**CHAIRPERSON**

## **1.0 INTRODUCTION**

### **1.1 Background**

On Wednesday 10<sup>th</sup> December 2014, the Honourable Viliame Gavoka presented a Petition to introduce a service fee to be charged to all guests and clients' bills for the purposes of supplementing the incomes of tourism industry workers in Fiji to Parliament for consideration in accordance with Standing Order 37.

The Petition was referred to the Standing Committee on Economic Affairs for deliberation on the issue and to report back to the Parliament.

The purpose of the Petition was to introduce new service fees charged to the tourism sector vis-à-vis the services provided to the local and international guests and clients for the utilisation of various trade, hotel and transport services. The Petition is signed by approximately 690 individuals from the tourism industry in Suva, Coral Coast, Nadi, Denarau and the Mamanucas.

The Committee had its first meeting on 23<sup>rd</sup> February 2015 to roadmap the way forward on the petition and decided to call the relevant stakeholders [Annex] before embarking on a further public consultation process.

In light of various stakeholders' oral and written submissions, the Committee deliberated, analysed and evaluated the documents quite thoroughly on the socio-economic impact and did not see it prudent to further the public consultation process.

### **1.2 The Standing Committee on Economic Affairs**

The Committee is a standing committee of the Fijian Parliament and was established under Standing Order 109(2)(a) of the Standing Orders (SO) of the Parliament of Fiji. The Committee currently comprises the following members:

- Hon. Lorna Eden (Chairperson)
- Hon. Vijay Nath (Deputy Chairperson)
- Hon. Dr. Brij Lal (Member)
- Hon. Viliame Gavoka (Member)
- Hon. Prem Singh (Member)

Previous membership of the Committee that had initially drafted and deliberated on the Petition are as follows:

- Hon. Balmindar Singh (Chair)
- Hon. Prem Singh (Deputy Chair)
- Hon. Sanjit Patel (Member) - Hon. Alvick Maharaj (Alternate Member)
- Hon. Dr. Brij Lal (Member)
- Hon. Viliame Gavoka (Member)

The Committee is mandated to examine matters pertinent to the Petition in accordance with SO 110(1)(d).

## 2.0 PETITION TO INTRODUCE SERVICE FEE IN TOURISM INDUSTRY

The Committee heard evidence on the Petition to Introduce Service Fee in Tourism Industry from witnesses representing various entities at public hearings held in the Parliament Complex, Government Buildings, Suva, from 26<sup>th</sup> March to 27<sup>th</sup> April 2015. Pertinent issues arising from the submissions are summarised below:

	Organisation	Key Points	Decision
1	<b>Investment Fiji</b>	<ol style="list-style-type: none"> <li>1. Service fee will adversely impact the affordability of Fiji as tourist destination.</li> <li>2. Decrease visitor numbers could lead to reduced investment in tourism and decreased future employment in sector.</li> <li>3. Introduction of service fee in the tourism industry might lead to wage inequality when compared to other sectors.</li> <li>4. Rewarding employees for good service via tips is common across the world. Introduction of fixed service fee will potentially curtail this and employees would therefore be less likely to receive tips. Potential loss of tips may not be compensated by income derived from service fee.</li> </ol>	<ol style="list-style-type: none"> <li>1. Investment Fiji does not support the notion of introducing service fees in tourism industry.</li> <li>2. Instead of introducing a service fee or any additional charges to tourists, Investment Fiji believes that additional value add services could be promoted and encouraged that would entice visitors to spend more money in Fiji rather than imposing an additional tax.</li> </ol>
2	<b>The Society of Fiji Travel Associates</b>	<ol style="list-style-type: none"> <li>1. 690 signatures do not represents the views of over 100,000 workers who are directly or indirectly dependent on the tourism industry</li> <li>2. Petition insinuating that the tourism industry/employers do not remunerate their workers fairly is an unfair and unjustified claim.</li> <li>3. It is the employer's exclusive responsibility to adequately remunerate employees and this responsibility should not be primarily vested in guests/patrons of tourism business.</li> <li>4. Is there a service fee for other industries to supplement incomes?</li> <li>5. There is no universal proof or correlation to justify that additional</li> </ol>	<ol style="list-style-type: none"> <li>1. No on this Petition to Introduce Service Fees to the Tourism Industry.</li> </ol>

	Organisation	Key Points	Decision
		<p>fees/taxes on visitors leads to improved customer service.</p> <p>6. Any additional fees (tax) would add considerably to what is already a high tax rate in comparison to our neighbouring and competing destinations.</p>	
3	<b>Ministry of Employment, Productivity &amp; Industrial Relation</b>	<p>1. Incur more administrative cost.</p> <p>2. Creates unequal playing field – other industries may complain.</p> <p>3. Backpackers can be negatively affected which negatively affects the community.</p> <p>4. Potential to create internal grievances/disputes within.</p> <p>5. More workload for employees as potential for employers to exploit employees through more work on the pretext of higher wages.</p>	<p>1. Service fee has potential to have negative effect on visitor arrivals.</p> <p>2. It can discourage average tourism.</p> <p>3. High potential to negatively impact quality of service.</p>
4	<b>Fiji Hotel and Tourism Association</b>	<p>1. Proposed service fee will reduce the visitor arrivals and thus total income for Fiji.</p> <p>2. If total guest arrivals decrease, there will be corresponding decrease in the number of employees in the industry leading to increased unemployment.</p> <p>3. There will be administrative cost associated with service fee.</p> <p>4. Employers would find cost of business has increased and these additional costs would be sufficient to close many operators resulting in job losses.</p>	<p>1. The Association is of the view that the service fee should not be introduced.</p> <p>2. Service fee will not supplement income but reduce income and employment.</p>
5	<b>Fiji Revenue and Customs Authority</b>	<p>1. Policy advice is to consider efficiency, equity and simplicity principles at tax policy design stage.</p> <p>2. Tax has distortionary effect on the economy and the goal of any tax policy is to generate maximum revenue with least welfare loss.</p> <p>3. Service fee will incur additional compliance cost for business especially for SMEs/small hotels in tourism industry.</p>	<p>1. A standalone service fee could distort STT regime due to dual rate of tax.</p> <p>2. Tax cascading, if allowed will lead to double taxation.</p>

	Organisation	Key Points	Decision
6	<b>Fiji Bureau of Statistics</b>	<ol style="list-style-type: none"> <li>1. We do not conduct studies on impact of increase in service fee.</li> <li>2. Statistics on visitor arrivals, tourism earnings and hotel accommodation.</li> </ol>	<ol style="list-style-type: none"> <li>1. Submission was more focused on providing tourism and hotel statistics rather than giving view on whether to introduce service fee or not.</li> </ol>
7	<b>Fiji Hotels &amp; Allied Industries Employees Union</b>	<ol style="list-style-type: none"> <li>1. Multi-tasking – workers will not question about multi-tasking and thus automatically give service boost. Workers will know that the more he does to rake in sales, the more he makes.</li> <li>2. Reduced absenteeism as more one absents himself, the less he makes.</li> <li>3. Greater level of care for the company and its well-being will become the norm.</li> <li>4. Slackers will soon be weeded out as the service charge inculcates team spirit and through team dynamics the non-productive unit will be made to feel unwelcome.</li> <li>5. Level of service will improve to be at par with Asian countries.</li> <li>6. The overall composure of the Fijian worker, already highly admired will be enhanced further.</li> <li>7. Managers will have more time to attend to management issues as team members takes more ownership of the task at hand.</li> </ol>	<ol style="list-style-type: none"> <li>1. Service charge will go a long way in improving the lot of the workers in tourism.</li> <li>2. Those businesses paying good rates and bonus, and service charge will be preferred employers raising their profile and benefit from increased patronage.</li> </ol>
8	<b>National Union of Hospitality Catering &amp; Tourism Industries Employees</b>	<ol style="list-style-type: none"> <li>1. Introduction of service fee will boost productivity among workers.</li> <li>2. Service fee will enhance an equal playing field for all hotels and resorts.</li> <li>3. Fair competition will be fostered by making hotel and resorts attract customers through better facilities, ambiance, food and beverage and other product and services.</li> <li>4. Government will earn more revenue in business tax since introduction of this system will ensure that hotel and</li> </ol>	<ol style="list-style-type: none"> <li>1. Service fee will ensure workers in the tourism industry receive decent income through the recognition of their services to the industry.</li> <li>2. Service fee will lead to increase in income for workers in the industry.</li> </ol>

	Organisation	Key Points	Decision
		resorts issue official receipts and records of earnings.	



## **4.0 CONCLUSION**

The Committee concluded that no further action pertaining to this Petition was necessary.

# APPENDICES

**COPIES OF WRITTEN SUBMISSIONS RECEIVED BY THE  
STANDING COMMITTEE ON ECONOMIC AFFAIRS**

Revenue &  
Customs

## **Proposed “Service Fee”**

**Presentation to  
Parliament Standing Committee on Economic Affairs  
by  
Fiji Revenue and Customs Authority  
5 May, 2015**

### **TAX POLICY FUNDAMENTALS**

- **Tax Policy Considerations In Public Finance Literature**
  - **Economic Efficiency**
    - Non distortionary
    - Maximum Revenue with Minimal Welfare Loss
  - **Equity**
    - Vertical Equity
    - Horizontal Equity
  - **Simplicity**
- **Political Economy Considerations**
- **Current Tax Policy Landscape For Fiji**
  - Low Rate
  - Broad-based

Revenue &  
Customs

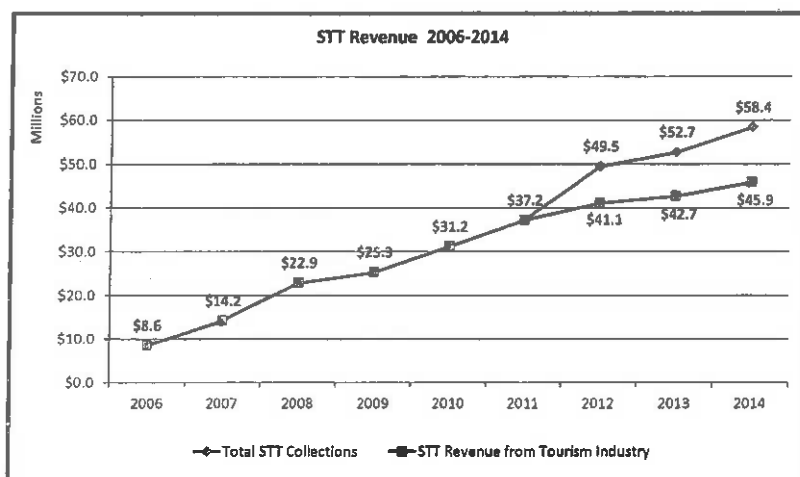
## FIJIAN TAX REGIME – KEY FEATURES

- **Tax Regime (selected taxes for all sectors, including tourism)**
  - **Low rate, broad based**
    - *Personal Income Tax Regime*
      - *Income tax exemption threshold*.....\$16,000
      - *Top marginal rate*.....20%
    - *Corporate Income Tax Regime*
      - *Tax rate* .....20%
  - *VAT*.....15%
  - *Fringe Benefits Tax*.....20%
  - *Capital Gains Tax*.....10%
  - *Value Added Tax*.....15%
  - *Customs Duties*..... 0%, 5%, 15%, 32%
- **Taxes relating to tourism**
  - *Service Turnover Tax*.....5%
  - *Departure Tax*.....\$200

## SERVICE TURNOVER TAX

- **Origin**
  - HTT at 3% (2006)
  - HTT at 5% (2008)
  - STT at 5% (2012)
- **Rationale**
  - Initial Debate : Funding the Marketing Budget of the then Fiji Visitors Bureau?
  - Base broadening
- **STT Fundamentals**
  - Single Rate
  - Avoids Tax cascading
  - Neutrality

## SERVICE TURNOVER TAX (2)



## SERVICE TURNOVER TAX (2)

	STT Collections from Tourism Industry (\$)	STT Growth (%)	Gross Tourism Earnings (\$)	Gross Tourism Earnings Growth (%)	Total Visitor Arrivals	Total Departures
2006	8,588,608		823,000,000		548,589	546,247
2007	14,187,195	65.2%	784,000,000	-4.7%	539,881	535,190
2008	22,902,539	61.4%	888,000,000	13.3%	585,031	578,962
2009	25,323,321	10.6%	975,000,000	9.8%	542,186	536,889
2010	31,172,026	23.1%	1,194,000,000	22.5%	631,868	694,295
2011	37,203,081	19.3%	1,287,000,000	7.8%	675,050	799,462
2012	41,125,040	10.5%	1,300,000,000	1.0%	660,590	784,335
2013	42,687,403	3.8%	1,318,000,000	1.4%	657,707	647,234
2014	45,901,856	7.5%	623,000,000 *		692,630	680,289

Source:   
 • Visitor Arrivals, Visitor Departures data: RBF Quarterly Review, Tables 39 and 41  
 • STT Data : FRCA

### SERVICE TURNOVER TAX (2)

Year	No. of Business	VAT Paid
2006	580	\$59,981,610
2007	612	\$34,507,112
2008	627	\$33,555,956
2009	623	\$33,875,638
2010	624	\$42,533,402
2011	606	\$58,849,873
2012	548	\$60,631,214
2013	514	\$59,977,021
2014	512	\$61,944,800

### PROPOSED SERVICE FEE

- FRCA is an agency that implements any tax in any shape or form as decided by Government.
- Policy advise is to consider efficiency, equity, and simplicity principles at tax policy design stage. This requires analysis of all issues.
- Tax has distortionary effect on the economy and the goal of any tax policy is to generate maximum revenue with least welfare loss.

### PROPOSED SERVICE FEE

- **Broader Economic Policy Issues**
  - Wage Policy or Tax Policy?
  - If tax policy, then consider:
    - Elasticities
    - Optimal tax structure
  - Workers earning up to \$16,000 do not pay income tax.
  - Workers benefit from current fiscal stimulus so workers save
  - Workers benefit from VAT zero rating of basic food items along with price controlled items
  - Workers benefit from 2% additional FNPF paid by employer
  - Employer pays FBT for benefits received by employees
  - Impact on Fiji's competitiveness
- **Tax Design Issues**
  - Rate of Tax?
  - Tax base?
  - Tax cascading?

### PROPOSED SERVICE FEE

- **Options**
  - Pursue such objective through labor policy adjustments through industry consultation?
  - Further fiscal stimulus in lieu of tax policy change?
  - If a standalone service fee is implemented:
    - it could distort STT regime due to dual rate of tax
    - tax cascading, if allowed, will lead to double taxation
    - additional compliance cost for business especially for SMEs / small hotels in the tourism sector
  - If there is consensus to introduce a service fee:
    - Consider STT mechanism but will impact entire STT base
    - Consider timing



**Thank You**





***'Submission on Petition to Introduce Service Fees in Tourism Industry'  
to the Parliament Standing Committee on Economic Affairs***

Godo Müller-Teut, CEO Investment Fiji  
Suva, Monday 4th of May 2015

## Background

2

- Investment Fiji has been invited to present its views on the 'Petition to introduce a Service Fee to be charged to All Guests / Client Bills for the purposes of supplementing the incomes of Tourism Industry Workers in Fiji' to the Parliament Standing Committee on Economic Affairs.
- The proposed Service fee is to be levied on guests / clients of hotels, rental car operators, inbound tour operators, recreation, entertainment, cinema, eateries, bars and nightclubs located within an area recognised as an 'integrated tourism enclave', event management operators, all water sports, underwater activities, skydiving, hot air balloon rises, river safaris and charter flight services.



## Content

3

1. Whether service fees should be introduced or not
2. The impact of introduction of service fee on Employers and Employees
3. Impact on Visitor Arrivals and quality of services provided by the employees
4. Any other views specific to introducing service fees to be charged to all Guests/Clients for the purpose

Investment **Fiji**

## Comment on Petition

4

### Whether service fees should be introduced or not

- Investment Fiji does not support the notion of introducing Service Fees in Tourism Industry.
- The introduction of Service Fees will adversely impact the affordability of Fiji as tourist destination. And therefore decrease visitor numbers, which could lead to reduced investments in tourism and decreased future employment in the sector.

Investment **Fiji**

## Comment on Petition

5

### The impact of introduction of service fee on Employers and Employees

- Investment Fiji believes that all workers need to be treated fairly and their welfare is of paramount importance. The introduction of Service Fees in the Tourism industry might lead to wage inequality when compared to other sectors.
- It is the role of Investment Fiji to attract foreign investment and stimulate exports. The introduction of Service Fees could have an adverse effect on investment, as visitor numbers might be contracting rather than expanding. Potential investors might therefore decide not to invest in Fiji, which will have a negative impact on new employment.
- On the other hand growth in tourism will lead to increased investments, new employment opportunities and increased wealth for our nation.

Investment **Fiji**

## Comment on Petition

6

### Impact on Visitor Arrivals and quality of services provided by the employees

- It is our belief that the introduction of Service Fees will adversely impact the affordability of Fiji as a tourist destination. Increased costs will make a holiday in Fiji more expensive and therefore open the door to alternative destinations.
- Fiji has a 20% tax (5% Service Turnover Tax and 15% VAT), in addition to the \$200 Airport departure tax. This already makes Fiji an expensive destination, especially for Australian visitors who have alternative options.
- Rewarding employees for good service via tips is common across the world. The introduction of a fixed Service Fee would potentially curtail this practice. Employees would therefore be less likely to receive tips, and become demotivated. In addition the potential loss of tips may not be compensated by the additional income derived via Service Fees.

Investment **Fiji**

## Comment on Petition

7

**Any other views specific to introducing service fees to be charged to all Guests/Clients for the purpose**

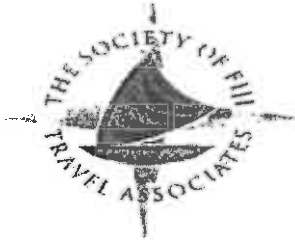
- Instead of introducing Service Fees or any additional charges to tourists, Investment Fiji believes that additional value add services could be promoted and encouraged, that would entice visitors to spend more money in Fiji, rather than imposing an additional tax.

Investment **Fiji**

Investment **Fiji**

Vinaka & Thank You

# THE SOCIETY OF FIJI TRAVEL ASSOCIATES



**29<sup>th</sup> April 2015**

The Chairperson  
Standing Committee on Economic Affairs  
Parliament of Fiji  
PO Box 2353  
Government Buildings  
**SUVA**  
*(sent via Email)*

Dear Sir,

**RE: Society of Fiji Travel Associates (SOFTA) Submission on Petition to Introduce Service Fees in Tourism Industry**

Firstly, our sincere apologies for not being able to have our personal representation at your recent sitting this week, Tuesday 28<sup>th</sup> April.

I was initially confirmed to attend, however, a short notice meeting in relation to our business was scheduled which I could not get out of plus, none of our other Executive Committee members were able to attend at short notice due to prior commitments as all of us are based in Nadi.

Thank you very much for the invitation from your office (via email correspondence) inviting our association to submit our views on the above-mentioned petition by the Parliamentary Standing Committee on Economic Affairs.

### **Intent of Petition:**

From the outset, we need to review the primary intent of the petition that was presented to parliament by the Honorable Viliame Gavoka.

From our reading of parliamentary and media statements the Honorable Viliame Gavoka proposed the petition with "...690 signatories of tourism workers". The Honorable Gavoka stated that the proposed service fee be "...levied on tourists. Every visitor to the country or every user of any tourism service would pay a certain fee that goes straight to the workers. It is called a service fee. It can be a huge part of their remuneration."

The Honorable Gavoka has been further quoted in the media on the proposed service fee as follows:

*"It can be a huge part of their (workers) remuneration."*

*"The fee will be at the expense of the visitors to our country"*

*"The fee will motivate workers to come to work every day thus reducing absenteeism"*

### **SOFTA's Views:**

Please find below the compilation of our members views for your consideration and further deliberation which we are hopeful and confident that your will resolve that the proposed petition to introduce service fees to our tourism industry should not be introduced. Period.

- 690 signatories DO NOT represent the views of the over 100,000 workers who are directly and indirectly dependent on the tourism industry;
- The petition is insinuating that the tourism industry/employers do not remunerate their workers fairly. This is an unfair and unjustified claim that in some way insults the integrity of tourism industry companies who represent investors (locals and foreign) who are committed to the promotion and sustainability of our tourism industry. These are investors who have stuck by Fiji and their employees during the good and tough times that we have been through.
- It is the employer's exclusive responsibility to adequately remunerate their employees and this responsibility should not be primarily vested in guests/patrons of tourism businesses.
- Is there proof that workers of the Tourism Industry are disadvantaged in salaries compared to other industries? Why is only Tourism employees being singled out? Is there a Service Fee for the other industries to supplement incomes?

- Tourism companies and resorts in their own respective ways give back to their staff over and above their earning capacities through bonuses during profitable trading years.
- As an example, it is public knowledge that our national airline, Fiji Airways announced in recent months that every employee will receive \$3,000.00 staff bonus, with executives receiving \$7,000.00. This was supplementary income to employees, rewarding them for hard work on meeting financial targets.
- From 2014 Employers are contributing extra 2% to the FNPF and this was levied with no productivity gains to employers.
- It is unclear why the petition of a service fee intends to supplement incomes of workers in the tourism industry when the tourism industry seems to be doing quite well in doing this themselves.
- In addition to the above, SOFTA members whom are land transport operators are levied an additional 25% on the minimum hourly wage rate for drivers.
- There is no universal proof or correlation to justify and/or prove that additional fees/taxes on visitor's leads to improved customer service levels or employee productivity as proposed in the petition.

#### **Impact of additional Service Fees to Fiji's Tourism Industry:**

- The Fiji tourism industry is already complying with the following Government taxes:

15% Value Added Tax (VAT)

5% Service Turnover Tax (STT)

- Visitors are paying \$200 Departure Tax on their airline tickets. One of the highest in the world.
- Any additional fees (tax) would add considerably to what is already a high tax rate in comparison to our neighbouring and competing destinations.



**Fiji will price itself out of the already competitive international market:**

We had sought comments directly from our market partners and for our purpose we have received the following from Rosie Holidays Wholesale division in Australia:

1. Australia is 52% of all total visitors into Fiji. Fiji has to be very careful about pricing itself out of the market in Australia. It already is one of the most taxed destinations in our competitor set.
2. The Australian Dollar (AUD) since 2013, has declined by about 14% against the Fiji dollar. This in short makes Fiji more expensive as the AUD has weakened. So if you look at a holiday package say in 2013, this holiday package has increased 5% each year, which is the average CPI rate of increase of Fiji hotels. Then, add the 14% weakening of the AUD. So already a package that cost say AUD \$1,000.00 in 2013, will now be costing \$1256.00. This is extra \$256.00 per adult. As Fiji is a family market, with an average of 2 adults and 2 children, already the family will have to find an additional AUD \$1,024.00 to travel to Fiji.
3. Fiji levies a lot of taxes to Australian visitors already. Every layer of tax or a fee, makes it more and more expensive for Australian honeymooners and families to choose Fiji over its competitors:
  - a. The government already has a 20% tax on all tourism services. 5% of this tax is a Service Tax.
  - b. Continued increases of airport departure taxes in the last 4 years.  
Departure Tax  
2012 \$100.00  
2013 \$150.00 Increase of 50%  
2014 \$200.00 Increase of 33.34%  
2015 \$250.00 Increase of 25%

### **CONCLUDING COMMENTS BY SOFTA**

When key factors that impact the decision of potential tourists/visitors are considered such as the weakening of the dollar in many of our source markets, many layers of taxes specifically targeting the international visitor, and the impact of the well-funded marketing campaigns by countries like Thailand, Hawaii, Indonesia, who are aggressively pursuing Australians, New Zealanders, Americans and our other major source markets, Fiji cannot afford to be subjected to additional fees/taxes that will continue to dilute our competitiveness as potential visitors/tourists weigh and consider their options on which destination to choose for their holidays.

**So a RESOUNDING NO on this Petition to Introduce Service Fees to the Tourism Industry.**

Vinaka vakalevu and please do not hesitate to contact us should you require any further information and/or clarification.

Yours Faithfully, for and on behalf of our SOFTA Members,

A handwritten signature in black ink, appearing to read 'James Sowane', with a long, sweeping horizontal stroke extending to the right.

**James Sowane**

**PRESIDENT**

Parliament  
Standing Committee on Economic  
Affairs

PETITION TO INTRODUCE SERVICE  
FEE IN TOURISM INDUSTRY

MINISTRY OF EMPLOYMENT, PRODUCTIVITY & INDUSTRIAL RELATION

Tuesday 28.04.15

# Ministry of Employment, Productivity & Industrial Relations

MISSION & TARGETED OUTCOMES	KEY PERFORMANCE INDICATORS	REFORMED & MODERNIZED LABOUR LAWS	NEW LABOUR INSTITUTIONS CREATED UNDER THE NEW LABOUR LAWS
<b>Social Justice:</b> <b>Targeted Outcome:</b> * Employment & Labour Market * Children & Youth * Gender Equality & Women in Development * Public Sector Reform	* Case settlement rate at least 75% pa * Increase access of poor workers to mediation service by 5% pa * Reduce case resolution time at Employment Tribunal from 5 years to 1 year * Reduce case management time at Labour Standard Service from 4 years to 1 year * Revised ERP 2014 implemented by Dec 2014 * Sustain national minimum wage for marginalized workers * Sustain productivity-based wage system * Respond to any call centre enquiry within one minute	* Employment Relations Promulgation 2007 * Employment Relations (Administration) Regulations 2008 * Employment Relations (Labour Management Consultation & Cooperation Committee) Regulations 2008	* Mediation Service established 2008 * Fiji Mediation Centre 2015 * Employment Relations Tribunal established 2008 * Employment Relations Court established in 2008 * Productivity and Wages Unit established in 2010
<b>Good Faith Employment Relations:</b> <b>Targeted Outcome:</b> * Employment & Labour Market * Public Sector Reform	* Double the LMCC registration and training with respect to previous year * Maintain mediation settlement rate at least at 75% pa * Maintain zero workplace strikes pa * Diversify mediation to non-labour issues	* Employment Relations (Employment Agencies) Regulations 2008 * Code of Ethics for Mediators 2008	* Policy and Legal Service established in 2010 * Employment Relations Call Centre established in 2014
<b>Productivity:</b> <b>Targeted Outcome:</b> * Employment & Labour Market * Public Sector Reform	* Double the LMCC registration and training with respect to previous year * National service scheme established by 2015 * Review of NTPC and the 2005 Fiji Productivity Charter * Increase national labour productivity by 0.5% * ISO 9001:2008 certification of prioritized government ministries and departments by 2016	* National Policy on Sexual Harassment in the Workplace 2008 * National Code of Practice for HIV/AIDS in the Workplace 2008	* Restructured Labour Standard Services in 2013

# Ministry for Employment, Productivity & Industrial Relations

<b>Safe Workplace:</b> <b>Targeted Outcome:</b> <ul style="list-style-type: none"> <li>* Employment &amp; Labour Market</li> <li>* Health</li> <li>* Public Sector Reform</li> </ul>	<ul style="list-style-type: none"> <li>* Reduce national incidence of workplace accidents by 3% pa</li> <li>* Reduce national workplace fatality rate by 3% pa</li> <li>* Increase workplace awareness by 10% pa</li> <li>* Increase workplace training by 10% pa</li> </ul>	<ul style="list-style-type: none"> <li>* Health &amp; Safety at Work Act 1996</li> <li>* Health &amp; Safety at Work (Administration) Regulations 1997</li> <li>* Health &amp; Safety at Work (Training) Regulations 1997</li> <li>* Health &amp; Safety at Work (Representatives &amp; Committees) Regulations 1997</li> <li>* Health &amp; Safety at Work (General Workplace Conditions) Regulations 2003</li> <li>* Health &amp; Safety at Work (Control of Hazardous Substance) Regulations 2006</li> <li>* Health &amp; Safety at Work (Diving) Regulations 2006</li> </ul>	<ul style="list-style-type: none"> <li>* National Occupational Health &amp; Safety Service established in 1996</li> <li>* Fiji Workcare Authority 2013</li> <li>* NATIONAL OCCUPATIONAL HEALTH AND SAFETY ADVISORY BOARD</li> </ul>
<b>Social Security:</b> <b>Targeted Outcome:</b> <ul style="list-style-type: none"> <li>* Employment &amp; Labour Market</li> <li>* Poverty Reduction</li> <li>* Public Sector Reform</li> </ul>	<ul style="list-style-type: none"> <li>* Increase the compensation quantum by, at least 100%</li> <li>* Reduce the processing time from 5 years to 1 year</li> </ul>	<ul style="list-style-type: none"> <li>* Workers Compensation Act (Cap 94)</li> </ul>	<ul style="list-style-type: none"> <li>* Workers Compensation Service</li> <li>* Fiji Workcare Authority 2015</li> <li>* Occupational Medicine Unit 2015</li> </ul>
<b>Employment:</b> <b>Targeted Outcome:</b> <ul style="list-style-type: none"> <li>* Employment &amp; Labour Market</li> <li>* Poverty Reduction</li> <li>* Micro Small &amp; Medium Enterprises</li> <li>* Gender Equality &amp; Women in Development</li> <li>* Public Sector Reform</li> </ul>	<ul style="list-style-type: none"> <li>* Increase number of employment by at least 5% annually</li> <li>* Reduce unemployment from 6.9% to 4.2% by 2016</li> <li>* 10 new sustainable SMEs established pa</li> <li>* Establish National service scheme by 2015</li> </ul>	<ul style="list-style-type: none"> <li>* National Employment Centre Decree 2009</li> <li>* National Employment Centre (Administration) Regulations 2012</li> <li>* National Employment Centre (Formal Employment Service) Regulations 2012</li> <li>* National Employment Centre (Self-Employment Service) Regulations 2012</li> <li>* National Employment Centre (Fiji Volunteer Service) Regulations 2012</li> <li>* National Employment Centre (Trust Fund) Regulations 2012</li> <li>* National Employment Centre Code of Ethics 2012</li> </ul>	<ul style="list-style-type: none"> <li>* National Employment Centre Secretariat</li> <li>* Formal Employment Service</li> <li>* Self-Employment Service</li> <li>* Fiji Volunteer Service</li> <li>* Foreign Employment Service</li> <li>* National Service Scheme 2015</li> <li>* NATIONAL EMPLOYMENT CENTRE BOARD</li> </ul>
<b>Export Promotion:</b> <b>Targeted Outcome:</b> <ul style="list-style-type: none"> <li>* Employment &amp; Labour Market</li> </ul>	<ul style="list-style-type: none"> <li>* ISO 9001:2008 certification of 2 SBUs by 2014 and ministry-wide by 2015</li> </ul>		<ul style="list-style-type: none"> <li>* Strategic Business Units: Labour Standard Service, Productivity &amp; Wages, Policy &amp; Legal, Employment Relations Call Centre, Corporate Service, IT, National Occupational Health &amp;</li> </ul>

## IMPACT OF SERVICE FEES TO EMPLOYERS – (CURRENTLY 1099 REGISTERED TOURISM EMPLOYERS IN FIJI)

- ▶ Incur more administrative costs.
- ▶ Gives more power to the employer – who already has a lot of power.
- ▶ Creates an unequal playing field. Other industries may complain. (WRT, RT, GMT, etc)
- ▶ Smaller operators like Backpackers can be negatively affected which negatively affects the community.
- ▶ Potential to create internal grievances\ disputes within.

# IMPACT OF SERVICE FEES TO EMPLOYEES

- ▶ Boost productivity, on the assumption that employees will receive their fair share of productivity.
- ▶ More workload – potential for employers to exploit employees through more work on the pretext of higher wages.
- ▶ Overall impact can either be positive or negative to employers depending on the character of management.



# WAGE REGULATION – (HOTEL & CATERING TRADES) ORDER 2012

CLASS OF WORKER	License Undertaking (Liquor Act)	Other Undertakings
Bar man	\$3.15	-
Clerk	\$3.09	\$2.79
Cook	\$3.20	\$2.91
General worker	\$2.97	\$2.73
House worker, Kitchen hand, Laundry hand, Night attended, Outdoor worker, Waiter, Watchman	\$2.97	\$2.73

## ADDITIONAL ALLOWANCES

Split Shift Allowance	\$2.30/ Day
Night Shift Allowance	20c/hr (10pm - 6am)
Meal allowance	\$7.00 if decent hot meal is not provided



# IMPACT ON VISITORS ARRIVAL

- ▶ Potential to have a negative effect.
- ▶ Discourage a average tourism

# IMPACT ON QUALITY OF SERVICE PROVIDED BY EMPLOYEES

- ▶ High potential to negatively impact quality of service – imitation taking over the natural Bula Smile.

## ADDITIONAL VIEWS ON SERVICE FEES

- ▶ Productivity Angle
- ▶ Fiji has introduced a productivity based wage setting mechanism. Such fees will negatively affect this mechanism, including National Minimum Wage setting.
- ▶ Issue of a fair distribution of productivity gains between the employer and employee.



## PARLIAMENT OF THE REPUBLIC OF FIJI

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### MINUTES OF THE 11<sup>th</sup> MEETING OF THE ECONOMIC AFFAIRS COMMITTEE HELD IN THE COMMITTEE ROOM, EAST WING ON WEDNESDAY, 30<sup>th</sup> JUNE 2015 AT 02.30 P.M.

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#### Members Present:

Hon. Balmindar Singh (Chairman)  
Hon. Prem Singh (Deputy Chairman)  
Hon. Dr Brij Lal  
Hon. Alvrick Maharaj (Alternate Member for Hon. Sanjit Patel)

#### In Attendance:

Mr Selveen Deo

#### 1.0 WELCOME

1.1 The Hon. Chairman welcomed the members to their meeting.

#### 2.0 APOLIGIES

2.1 Apology was received from the following member.

- Hon. Viliame Gavoka
- Hon. Sanjit Patel

#### 3.0 CONFIRMATION OF MINUTES

- 3.1 Hon. Dr Brij Lal moved that the minutes of the meeting held on Tuesday 27<sup>th</sup> May 2015 be confirmed.
- 3.2 Hon. Chair seconded the motion. Minutes duly confirmed.
- 3.3 Hon. Dr Brij Lal moved that the minutes of the meeting held on 22<sup>nd</sup> June be confirmed subject to amendments:
- "Ms Sereana" to read " Ms Sereana Cokanasiga"
  - "Mr Savenaca Cokanasiga" to read "Mr Savenaca Kaunisela"
- 3.4 Hon. Chair seconded the motion. Minutes duly confirmed.



#### 4.0 MATTERS ARISING

4.1 Hon. Chair informed Hon. Prem Singh that since he was not present in previous two meetings, a motion was moved by Hon. Sanjit Patel to stop with the consultation process on Service Fee Petition and it was voted and decision was made that service fee petition be stood out.

4.1.1 Hon. Prem Singh was of the view that recommendations of the Committee will not be harmful to anyone. Committee had initially agreed on work plan and consultations were part of it and nothing would be lost by completing the consultation. He suggested that Committee should complete the process as bipartition approach and make recommendations to the Parliament irrespective of what the recommendations are.

4.1.2 Hon. Dr Brij Lal replied that of the 8 submissions only 2 were in favour and 6 are against and if we go out for consultation only workers will be talking in favour while hoteliers are against. Therefore even if Committee goes out, it will come to the same conclusion.

4.1.3 Hon. Prem Singh replied that it's not the conclusion that we are concerned about but it's the participatory process of the Committee and it's all up to Parliament to decide whether they accept the recommendations or not and as for the Committee to kill the petition at this stage depicts the purpose.

4.1.4 Hon. Chair replied that looking at the motion that was presented before the Committee and it was seconded, and looking at the Governments initiatives such as free education, free bus fare, 2% extra from employers contribution and other factors it was decided that no further consultation will take place and a report to be tabled to the Parliament.

4.1.5 Hon. Prem Singh was of the view that Committee has agreed on a work plan and consultation was part of it. So far Committee heard from those we invited and when we go for consultation, not only workers would come but also hoteliers and other would be there to give their opinions. This petition looks into a particular issue and it's in the best interest of the Committee to explore it to the fullest.

4.1.6 Hon. Chair replied that the Committee is moving forward and won't look back. The government embarked on initiatives where all sectors are benefitting and here only one sector is involved.

4.1.7 Hon. Prem Singh replied that it's the process that we are concerned about. This government initiatives could form part of the report in stating why we should not go ahead with it. Hon. Singh informed the Committee that Hon. Gavoka has provided a report which is to be part of the report.

4.2 Hon. Chair requested the secretariat if website advertisement and copies of all the letters be provided.



## 5.0 COMMITTEE DISCUSSION

- 5.1 Hon. Chair informed Hon. Singh and Hon. Maharaj that submission was done by TLTB and Ministry of Itauke Affairs on the Petition to Review the distribution of Land lease to Personal Accounts.
- 5.2 Hon. Chair requested members to provide their views on going forward with the petition on Distribution of Land Lease on personal Accounts.
- 5.2.1 Hon. Prem Singh asked apart from two Government stakeholders, who else are we listening from, Land Owning units and Turaga Ni Mataqali.
- 5.2.2 Hon. Chair replied that Turaqa in Mataqali, Turaqa ni Yavosa, Tiuraqa ni Tokatoka and Provincial Administrators.
- 5.3 Hon. Prem Singh asked if there's going to be a consultation with these stakeholders.
- 5.3.1 Hon. Chair replied that's it's up to the members to decide now if there's going to be consultations on this petition.
- 5.3.2 Hon. Prem Singh was of the view that people who are affected are Mataqalis members and others and many people are for the petition in the land owning unit.
- 5.3.3 Hon. Dr Brij Lal was of the view that from the submission it is clear that before only 4500 people in Fiji were receiving lease money and now over 300 000 people are getting that and most of the recipient were very happy as money goes to their account and for those under the age of 14 the money was kept in trust. In long run more than 300 000 people are getting the share of lease money and I am satisfied with the way lease is distributed as presented by two organisations. According to them people are happy with the current system and there are provision for special projects whereby they need write to TLTB so money can be allocated and I don't see any need for going any further with the consultation.
- 5.3.4 Hon. Prem Singh replied that just by the virtue of the petition, the signatories seems to be unhappy, may be procedurally or they don't understand so this is the reason some of these people need to be consulted.
- 5.3.5 Hon. Dr Brij Lal replied that these are the same people that report to TLTB and according to them they are happy with the current system.
- 5.3.6 Hon. Prem Sing replied that according to the petition, the Itauke people do not have equitable share of economic and commercial power with other communities. These are the things that petition that is to be dealt with and it's fine from the stakeholder's perspective as they are enforcing it but what about the people who submitted the petition.
- 5.3.7 Hon. Dr Brij Lal replied that his understanding that the issues that are raised in petition are taken to the TLTB board and Itauke Affairs and according to them generally people are happy with current system.
- 5.3.8 Hon. Prem Singh replied that he has slightly different view point as it's the Committees work to find out what people thinks of the petition and who knows they may agree with that.

5.3.9 Hon. Alvrik Maharaj said that he believes the petition is minority petition on its own as previously only 4500 people were receiving land lease money and now 300 000 so it speaks itself. Naturally speaking current system is benefiting the one third population and why should we wreck our head in getting up something that deprives one third population and go back and revert to policy which only benefits few people which is against the Government Policy. Hon. Maharaj moved a motion that Committee to go according to the recommendation of TLTB and Ministry of Itauke Affairs and suggested this petition stopped here.

5.3.10 Hon. Dr Brij Lal seconded by motion by stating that this two organisation has submitted their views and he is conceived that things are in order.

5.3.11 Hon. Prem Singh opposed the motion stating that Committee is killing the petition. The Committee should make an attempt to call people to this Committee Room to get at least views of people and we will lose nothing.

5.3.12 Hon. Chair replied that there's a motion on the floor and seconded, the motion would stand.

5.3.13 Hon. Prem Singh said he is amending the motion not to pre conclude this petition, we should at least give opportunity to people to give their views.

5.3.14 Hon. Chair replied that the motion will be defeated since there is no seconder to the motion by the motion which is already seconded.

5.3.15 Hon. Prem Sing said that this is the only Committee that has killed two petition pre maturely and this Committee seems to be working on partition approach, government on one side and opposition on other. We have no feelings for people who have sent this petition.

5.3.16 Hon. Chair replied that I do take your sentiments Hon. Singh but as you are aware we are all binded by Standing Orders and as motioned has been tabled, I accept the motion and close the debate on this basis.

## 6.0 ANY OTHER BUSINESS

6.1.1 There was no other business to be discussed.

## 7.0 DATE OF NEXT MEETING

7.1 As there was no other business to discuss, the meeting adjourned at 04.00 p.m.

Signed,

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Hon. Balmindar Singh (Chairman)

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Mr Selveen Deo

Date: .....