

22 April 2014

c65860

Ian Andrews
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Dear Mr Andrews

Thank you for your email of 9 March 2014, requesting information about the P119 prisoner canteen system. Your request has been considered under the Official Information Act 1982 (OIA).

Public safety and reducing re-offending are the ultimate goals for the Department of Corrections. In accordance with the Corrections Act 2004, we must make public safety paramount when managing offenders, and administer all sentences in a safe, secure, humane and effective manner. All prison facilities are operated in accordance with New Zealand legislation and based on other agreements, such as the United Nations Standard Minimum Rules for the Treatment of Prisoners.

The Department's P119 prisoner canteen system enables prisoners to purchase goods from a list of approved grocery items. The list includes things like phone cards, sweets, shaving gear, fruit, teabags, instant coffee, cordial, biscuits, snacks, stamps, writing materials and greeting cards. Family and friends of a prisoner can deposit money into a prisoner's account, or a prisoner can arrange for money from their normal bank account to be transferred into their prison account. A prisoner can have a maximum of \$200 in their account and can generally spend no more than \$70 per week.

The system also provides prisoner employment and training opportunities. Prisoners working in P119 distribution centres gain valuable skills, experience and qualifications in distribution that will assist them to obtain employment upon their release from custody, thereby reducing their likelihood of re-offending.

As you may be aware, the day to day management of Mt Eden Corrections Facility (MECF) is carried out by global service provision company Serco under contract to the Department. Serco operate an independent, but similar, prisoner canteen system at MECF.

You have asked a number of questions in relation to the Service Level Agreement (SLA) between *Corrections Inmate Employment (CIE)*, *Prison Services* and *Finance Systems and Infrastructure Auckland Prison* for the supply of P119 Canteen Services at Auckland Prison. I have addressed each of your questions below:

1. When was the SLA last reviewed?

Please note that the SLA has been superseded by the National Prisoner Canteen Supply Agreement. The national agreement was last reviewed in January 2014. Please note that the Department intends to apply a two year right of renewal clause to the national agreement.

We are unable to provide a copy of the Offender Employment National Prisoner Canteen Supply Agreement as the document contains commercially sensitive information. Therefore, the document is withheld under section 9(2)(b)(ii) of the OIA to protect information that would be likely to prejudice the commercial position of the person who supplied or who is the subject of the information.

2. Why has the requirement for CIE to "actively seek opportunities for limited price specials" never been followed in practice? (e.g. Christmas stock of chocolates is still on sale three months later at the Christmas price, rather than being quickly discounted as in other stores)

The Department considers that the P119 system provides reasonably priced products, and a consistent service to prisoners. We do not seek limited price specials under the current National Prisoner Canteen Supply Agreement for three main reasons.

Firstly, selling limited price specials can lead to complaints from prisoners. Prisoners who purchase a product at the reduced price are often displeased when they discover that the new replacement product is more expensive.

Secondly, a number of staff members from different teams are involved in our internal processes to reduce the price of items. These staff members have different responsibilities in managing the products, the inventory and the national ordering list. Selling limited price specials can create inconsistencies across sites due to the number of people involved in the purchasing process.

Thirdly, selling limited price specials can impact on our ability to manage our yearly budget for the Offender Employment distribution centres.

3. What procedures are in place to review prices 3 monthly to ensure that prisoners "receive value", as provided in the SLA? Please provide examples where this has occurred, on the assumption it has?

The Department reviews prices annually under the National Prisoner Canteen Supply Agreement. The next review is due to take place in April 2014.

4. How are prices set? Why are they usually materially higher than supermarket non-discounted prices, when cheap prison labour (at Auckland Women's Correctional Facility) is used for distribution? How does Corrections ensure it does not breach the Fair Trading Act?

As you may be aware, the Department's Offender Employment group has four distribution centres and supplies canteen items to 10 prisons around the country. All remaining sites have independent agreements with a local dairy or similar. As these local contracts expire, Offender Employment will then supply canteen items to these sites through the distribution centres.

The Department orders products that prisoners have requested (via a P119 form) and distributes them accordingly. The Department strives to ensure a good balance of mid range and budget products for prisoners to purchase. This is to ensure that the supply chain is robust and prices reflect quality without being expensive (expensive being top quality branded products). The Department endeavours to balance good range quality products, taste and appearance against low volume budget products that prisoners will not purchase.

The pricing model is in line with operating a commercial business while maintaining a minimum cost model. A product's 'sell price' comprises the cost of the product from the supplier, plus GST and an operating margin.

The cost of products may differ from those found in a supermarket, as the distribution centres have overheads not experienced by the private sector, with many additional costs. These include low productivity, high labour turnover rates, high training costs and supervision rates, plus interruptions to the working day. The Department is satisfied that our pricing model meets our obligations under the Fair Trading Act 1986.

5. Why is fruit not packed and delivered more promptly than 3 days, given the propensity of it, particularly bananas, to spoil during that period and become unfit for consumption? Why will CIE not accept returns of such spoiled product, as all providers of consumer products are required to do under the Consumer Guarantees Act?

Fruit is ordered for delivery the day before all prisoner orders are due to ensure that the products are as fresh as possible. Spoiled fruit, such as bananas, can be an issue over the warmer months. However, spoiled fruit is not used to fulfil prisoner orders.

All orders are placed into clear plastic bags so that the prisoner can view the contents, and check each item off against their invoice. If a prisoner is not satisfied with the quality of a product, they can return the un-opened order for credit or replacement.

Once an order has been opened, it can not be returned for credit or replacement as it is deemed to have been accepted by the prisoner. The Department is satisfied that our processes ensure that we meet our obligations under the Consumer Guarantees Act 1993.

6. What steps are taken to ensure that prisoner orders are met, rather than being returned as "out of stock", which leaves prisoners unable to reorder or substitute order for a further week?

The Department makes every effort to ensure that prisoner orders are met. Offender Employment distribution centres place bulk orders for dry stock in advance, with a view to maintaining adequate stock levels of approved items. However, if an item is out of stock due to a manufacturer outage the prisoner will need to re-order the item.

7. Was the prisoner purchasing contract, required to be established by section 46 of the Corrections Act, advertised for tender before being given to an internal provider? If so, what was the result of the tender?

The Department did tender for the contract to supply products for prisoner canteens. Three external suppliers replied to the tender, and the evaluation panel awarded the contract to the preferred respondent, Gilmour's Toop's and Trent's National Limited.

8. How does the Department manage its dominant market position (being a monopoly provider of purchases to prisoners) to ensure it does not breach the Restrictive Trade Practices provisions in Part 2 of the Commerce Act 1986?

The Department's P119 suppliers were selected in a tender in accordance with the Government's procurement rule. The Department is satisfied that those procurement rules meet our obligations under the Commerce Act 1986.

I trust the information provided is of assistance. As you may be aware, you have the right to ask the Ombudsman to review this response. Contact details are: Office of the Ombudsman, PO Box 10152, Wellington 6143.

Yours sincerely



Jeremy Lightfoot
National Commissioner
Corrections Services