

18 December 2019

C109959

Ti Lamusse  
[fyi-request-10683-12ba0208@requests.fyi.org.nz](mailto:fyi-request-10683-12ba0208@requests.fyi.org.nz)

Tēnā koe Ti

Thank you for your email of 6 July 2019 requesting information about the P119 prisoner canteen system. Your request has been considered under the Official Information Act 1982. I apologise for the delay in responding to your request.

Section 46 of the Corrections Act 2004 requires Corrections to operate a purchasing system for prisoners. This system is referred to as the P119 canteen system and allows prisoners to purchase approved grocery items to supplement the food and toiletries they are already provided. As you will note in the information provided, the P119 canteen system does not operate in order to generate a profit for Corrections.

The system provides an approved product and price offer standardised across all sites. Approved products include phone cards, sweets, toiletries, fruit, teabags, instant coffee, cordial, biscuits, snacks, stamps, writing materials, greeting cards etc.

The system delivers an additional benefit by providing opportunities for prisoner employment. Prisoners are engaged in the operation of the P119 canteen system in the four regional distribution centres. This engagement supports prisoners to acquire skills in warehousing and logistics that may assist them to obtaining employment on their release from prison.

Our distribution centres are located in the following regional prison locations and cover a number of other prison sites located within that region:

- Northern Region, based at Auckland Region Women's Corrections Facility
- Central Region, based at Waikeria Prison
- Lower North Region, based at Rimutaka Prison
- Southern Region, based at Christchurch Men's Prison

These distribution centres ensure the availability of a range of mid-range and budget priced products. When establishing the on-sell price to prisoners, Corrections takes the following into account:

- That pricing is fair to prisoners
- That pricing aligns to price points in the general retail sector
- That pricing does not reflect discounts or benefits to prisoners, and
- Some price points are orientated toward supporting healthy food choices

An operating margin exists between the price at which Corrections is able to procure the P119 canteen supplies and the on-sell price. This operating margin makes a contribution to the total cost to deliver this activity. The level of this margin is constrained by the price controls outlined above and inflationary price changes passed on by the wholesaler.

The P119 system operates in accordance with the Fair Trading Act 1986 at all times.

You requested:

1. *The total income generated by Corrections from the Canteens inside all NZ Corrections Facilities and prisons, per annum as far back as records permit.*
2. *Provide this information by prison site.*
3. *The total costs of operating (including staffing, stock etc.) the Canteens inside all NZ Corrections Facilities and prisons, per annum as far back as records permit.*
4. *Provide this information by prison site.*

The table below details the requested information. Due to the regional distribution centre operating model we are unable to break the requested information down by prison site. We have instead provided a response at the regional distribution centre level.

	2014/15	2015/16	2016/17	2017/18	2018/19
<b>Sales \$ (by region)</b>					
Northern	2,321,472	2,119,427	2,814,607	3,263,843	2,955,364
Central	996,161	848,199	1,807,901	2,152,636	2,256,777
Lower North	1,012,397	986,235	1,167,383	2,784,333	3,243,067
Southern	1,162,822	1,279,843	1,374,910	1,976,892	2,197,954
<b>Total</b>	<b>5,492,852</b>	<b>5,233,704</b>	<b>7,165,256</b>	<b>10,177,704</b>	<b>10,653,162</b>
<b>Direct Costs \$ (by region)</b>					
Northern	2,508,688	2,284,490	2,900,012	3,150,652	3,017,382
Central	1,052,026	845,392	1,659,979	1,892,649	1,986,367
Lower North	1,135,512	1,097,295	1,191,778	2,590,249	2,978,358
Southern	1,226,473	1,285,996	1,340,103	1,875,130	2,130,816
<b>Total</b>	<b>5,922,699</b>	<b>5,513,173</b>	<b>7,091,872</b>	<b>9,508,680</b>	<b>10,112,923</b>
<b>National Costs (\$)</b>	<b>780,574</b>	<b>796,504</b>	<b>812,759</b>	<b>829,346</b>	<b>846,271</b>
<b>Loss</b>	<b>\$(-1,210,421)</b>	<b>\$(-1,075,973)</b>	<b>\$(-739,375)</b>	<b>\$(-160,322)</b>	<b>\$(-306,032)</b>

Note that 'Sales' represents the amount deducted from prisoner trust accounts in order to fulfil prisoners' weekly P119 canteen supply orders. 'Direct Costs' include the cost of goods sold and the direct offender employment instructor and attributable site operating cost. 'National Costs' include the cost of the assets employed to manage the P119 canteen supply orders.

You will note that overall we are currently reporting a small loss for the 2018/19 financial year. The loss recognises the fact that our distribution model is unique to Corrections as it provides an important learning environment for people taking part in employment and training activities inside prison as well as meeting our obligations under the Corrections Act. The cost structures reflect these additional training requirements, which help to contribute to our outcome of reducing re-offending.

When looking at sales and costs trends associated with delivering this activity, it is important to recognise a change in the operating model. Previously the P119 system was serviced by regional suppliers through a largely local-prison based model. Prisons had arrangements with a variety of regional suppliers which led to price disparities between prisons.

On 1 April 2017, Corrections implemented a new national canteen supplies agreement to all prison sites. The new canteen supplies agreement:

- Centralised the management of the P119 system into our four distribution centres
- Standardised the item range and cost of products throughout the prison estate. This was delivered via a single supply contract
- Increased the focus on making a wider range of healthy foods such as fresh and dried fruits, nuts, and muesli bars more consistently available to prisoners.

Significant year-to-year increases in distribution centre sales in recent years are largely attributable to this centralisation effort – as more prisons were served by each distribution centre, the total sales for each distribution centre increased.

I trust the information provided is of assistance. Should you have any concerns with this response, I would encourage you to raise these with Corrections. Alternatively you are advised of your right to also raise any concerns with the Office of the Ombudsman. Contact details are: Office of the Ombudsman, PO Box 10152, Wellington 6143.

Ngā mihi nui



Rachel Leota  
National Commissioner