

# Consumer Council of Fiji



Submission to

Land Transport Authority

## Review of Bus and Taxi Fares

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The Consumer Council of Fiji exists to safeguard the interest of consumers in the market place and build a conscious and assertive consumer movement in Fiji.

## **1.0 Introduction**

The Consumer Council of Fiji (“Council” or “CCF”) would like to make the submission to the Land Transport Authority (LTA) calling for a decrease in bus and taxi fares. The Council’s submission is predominantly in response to the plummeting fuel prices in recent months at the global level that is positively benefiting the retail prices of fuel in Fiji. The Council specifically notes the decline in diesoline prices, which for 2008 decreased three times and the start of 2009 saw a further reduction (see table 1).

Fuel is a public good and a price increase certainly has an immediate trickle down effect on the manufacturing, production and distribution of goods and services. Nonetheless, the Council has been vocal and maintains that fuel prices should not be the only determining factor for bus and taxi industry to seek an increase in fares. Unfortunately, whenever fuel prices have been revised upwards by the Prices and Incomes Board, the bus and taxi operators have reacted promptly to seek increases in their fares. Their requests for an increase in fares, if not at all times but at most times, have been entertained and accommodated. On 7 January 2008, the bus industry received 10% increase in bus fares. Similarly the taxi industry received an increase in fare flag fall by \$0.50 cents for day and \$1.00 for night trips. In June 2008, the bus industry also secured a direct government subsidy of 21.9 percent in place of an increase in bus fare when the fuel price was high.

The above mentioned awards were handed to the two industries purely for reason of soaring fuel prices. As such, the Council is compelled to tow the same line and draw on the declining fuel prices as the reason to seek a decrease in bus and taxi fares.

## **2.0 The status of the Consumer Council of Fiji in making this submission**

The Consumer Council of Fiji is a statutory body established under the Consumer Council of Fiji Act 1976 (Cap 235). The Council provides the external pressure as a watchdog to create a fair and just delivery of goods and services. It represents and protects the rights and interests of consumers and in particular the

disadvantaged groups, rural poor and women by identifying and articulating the policy issues that are of importance to the consumers. First and foremost the Consumer Council is an advocacy organisation, conducting rigorous research and policy analysis on key consumer issues. CCOF's insight into consumer need is a powerful tool for influencing decision-makers to bring about change.

### 3.0 Mitigating issues

#### 3.1 Plummeting fuel prices

Diesoline which is the commodity used by buses and taxis, with the exception of LPG taxis, has reduced significantly from \$2.03/litre in August 2008 to \$1.51/litre at present (January 2009). See Table 2.

**Table 1: FUEL PRICE VARIANCE IN 2008**

Product	# of Price Increases	# of Price Decreases
Motor Spirit	6 times	4 times
Premix Outboard Fuel	6 times	4 times
Diesel	5 times	3 times
Kerosene	6 times	3 times

**Table 2: FUEL PRICE VARIANCE**

2008/2009				
Date	Motor Spirit	Diesoline	Premix Outboard Fuel	Kerosene
03/01/08	\$2.05	\$1.78	\$2.03	\$1.57
04/03/08	\$2.07	\$1.78	\$2.05	\$1.51
01/04/08	\$2.10	\$1.82	\$2.09	\$1.54
27/05/08	\$2.12	\$1.95	\$2.12	\$1.69
27/06/08	\$2.16	\$2.05	\$2.16	\$1.77
06/08/08	\$2.44	\$2.39	\$2.38	\$2.03
15/08/08	\$2.32	\$2.28	\$2.26	\$2.03
02/09/08	\$2.27	\$2.28	\$2.22	\$2.05
16/10/08	\$2.16	\$2.02	\$2.10	\$1.86
07/11/08	\$2.11	\$1.93	\$2.04	\$1.74
01/12/08	\$1.98	\$1.70	\$1.90	\$1.46
03/01/09	\$1.58	\$1.51	\$1.49	\$1.28

### **3.2 *Social sustainability of consumers***

The Council expresses its concern that bus and taxi fares at the current rate are putting financial pressure on low to moderate income households. The Council considers the existing fare is unjustified given the declining diesel price. The existing bus and taxi fares are therefore very concerning from a social sustainability viewpoint, since it has arguably led to deterioration in the capacity of low income consumers to purchase bus and taxi services. It is the Council's view that LTA take into account considerations other than provider costs (for example social costs) when reviewing bus and taxi fares.

### **3.3 *Accountability and Transparency in revenue collection***

There is currently no or lack of accountability or transparency in the financial returns of bus and taxi operators. It concerns the Council very much that fare approvals and other government incentives have been awarded to the two industries, mostly to the bus industry, without proper checks and balances put in place. How many operators have their accounts audited? It is grossly unfair on taxpayers when the government provides subsidies to the bus and taxi industry that lack good governance practices. The bus industry must open their books to justify why they need subsidy.

### **3.4 *Lack of innovation***

The bus industry in particular has displayed lack of or no innovation from receipt of government concessions and past bus fare increases – consumers are not getting value for the high fares charged. While the Council does not oppose modest fare increases to enable the two industries to offset rising costs, adequate regulation of fares growth (in line with requirements of the LTA Act and the expectations of consumers) should ensure that cost increases are referenced to affordability. On the other hand bus and taxi industry should be encouraged to provide an efficient, clean and reliable service and through that build extra business rather than continually expecting consumers to step in with little or no return.

#### 4.0 Conclusion

The Council believes that the taxi and bus industry provide a valuable contribution to the public transport system, and is an indispensable transport option for low to moderate income people. As for taxi services, because of the limited availability of concessions, these services are frequently not affordable for low income users, yet, at the same time, it is acknowledged that the taxi industry provides these services with little incentive from government. **But, the Council believes that there is a strong case for reduced fares given the reduction in diesel prices** for both taxi and bus services, while the Council will continue to advocate for motor vehicle gas (LPG) price to reduce.

Yours sincerely,

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Mrs Premila Kumar  
**Chief Executive Officer**  
**Consumer Council of Fiji**