



CONSUMER COUNCIL OF FIJI

**A Submission to the  
Land Transport Authority on the  
Fiji Taxi Union's Proposed Taxi Fare  
Increase**

November 2010

## 1.0 Introduction

The Consumer Council of Fiji as the statutory representative of consumers in Fiji is required by the Consumer Council Act to *do all such acts and things that it may consider necessary or expedient to ensure that the interests of consumers of goods and services are promoted and protected* (Section 6 (1)). The Council is obliged to make representations to the Government or to any other organisations/persons on any issues affecting the interest of consumers. As such the Council considers it imperative that it conveys the concerns of consumers of taxi services to the Land Transport Authority (LTA) regarding the Fiji Taxi Union's (FTU) latest application for an amendment to the fare structure. The Council is very mindful of the FTU's persistent lobbying to the LTA not to call for public submissions on the basis that taxi services are "luxury" services.<sup>1</sup> The Council strongly rejects the FTU's call and reiterates that taxi services are a matter of public interest and that consumers of these services are important stakeholders and have the right to make their views known on any proposed changes to the fare structure. The Council commends the LTA for ensuring that the FTU's proposal is subjected to due process by calling for public and stakeholder submissions.<sup>2</sup> The Council rejects the FTU's latest proposal for an amendment to the fare distance charge from 10cents per 200 meters to 10cents per 100 meters which will make **consumers pay 100% more**.

In making this submission the Council considered the following:

- the last amendment to the taxi fare structure was in August 2009 or 15 months ago, whereby the flag fall was reverted to \$1.50 (day) and \$2.00 (night/weekend), and increase in waiting charge from 10 cents per 2 minutes to 10 cents per minute;
- the changes to the bus fare structure and consequent massive increases in fares had impacted on consumer affordability for public transport in the post-devaluation period and when incomes are stagnant and poverty levels high;
- non-action by the FTU to address inefficient tax operators and dilapidated taxis to give better services and value for money to consumers;
- lack of diversity in taxi ownership, i.e. industry controlled by a few people owning fleets of taxis;
- failure of FTU to provide verifiable data on taxi ownership (e.g. taxi numbers per taxi operators) and any evidence of increased costs to justify changes in the fare structure;
- middle-man approach where taxis and bases are subcontracted to drivers on fixed income thereby distorting revenue figures generated by taxis;
- no improvement in customer services as part of conditions for the 2009 flag fall increase;

## 2.0 Taxi Services Are Essential

The Council strongly disagrees with the FTU's contention that using a taxi is a "luxury". Taxi services are essential particularly where bus services are limited by route, time and regularity. Many consumers in residential areas where bus services are limited or infrequent rely on taxis for transportation. Also taxis are relied upon for emergencies by many consumers, particularly in far-off residential areas and at night when no other forms of transportation are available. Consumers chose taxi services out of need and not as luxury. The principal motive is to move from point A to point B for important needs such as for work or shopping. Furthermore the fact that taxi drivers are required to carry PSV licenses by the LTA indicates that taxis are public service vehicles, nothing less, nothing more!

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<sup>1</sup> Comments by FTU general secretary Rishi Ram on FBCL news 20 November 2010 and reiterated by Mr Ram at Day 2 of the 9<sup>th</sup> Fiji national Transport Consultative Forum 2010 on 23/11/10.

<sup>2</sup> LTA Public Notice call for submissions, *Fiji Sun*, 20/11/10, p.81

### 3.0 2009 Increases in Bus and Taxi Fares – Increase in Cost of Living

The Council wishes to highlight that the bus and taxi industry enjoyed increases in fares in August 2009, which were based solely on the fuel price hikes where motor spirit hovered near and around the \$2/litre mark, while diesel increased towards the second half of that year. Taxi fares reverted to the \$1.50 (day) and \$2.00 (night/weekend) flag falls and the industry enjoyed a 100% increase in the waiting charge from 10cents per two minutes to 10cents per minute. In the bus industry, the new fare structure and stage system saw fares increase by up to 65%, with most increases in the 20% to 30% range. The Council considers the 2009 increases as a double blow to consumers with both the taxi and bus fare hikes. Consumers' were just reeling from the inflationary effects of the April 2009 devaluation of the Fiji Dollar. The overall increase in cost of living in the past year had greatly affected consumers in particular the low-income earners. The Government's targeted assistance introduced this year by way of the food voucher is welcomed, however this caters for only about 24,000 of the population despite the fact that about 45% of the population live below the poverty line<sup>3</sup>. Furthermore, personal incomes have remained stagnant while the cost of living has increased. The situation is worsened by the current deadlock in the proposed increase in the minimum wage which affects the majority of employed income earners in the country. An increase in taxi fares would definitely increase the cost of living and consequently worsen the situation of consumers.

### 4.0 FTU proposal disguises taxi fare increase in real terms

The Council notes that the Fiji Taxi Union has proposed a change in the tariff from **10cents per 200 meters to 10cents per 100 meters**. This change in the tariff has been publicised in the media and the Council strongly believes that it is being construed by the FTU to mean a simple downward change in the distance from 200m to 100m. In actual fact what the FTU is asking for is a **100% increase** in taxi fares, meaning consumers have to pay double for the current distance covered (i.e. 20cents per 200 meters as opposed to 10cents). It appears that the FTU has sought to distort the actual increase by fiddling around with the tariff distance, rather than being straightforward and honest by calling for a 100% increase! The figure of 100% is absent from the FTU's current rhetoric in the media. The Council considers this tactic as dishonest and a wilful attempt to confuse ordinary consumers who are more adept at understanding absolute dollar terms rather than cents per distance.

### 5.0 Inefficiency and Poor Customer Service in Taxi Industry

The Council reiterates its stance that instead of calling for a fare increase the FTU should first exhaust efforts on bringing about efficiency and better services in the taxi industry. It appears that the FTU solely exists to call for fare increases other than anything else! The Council and consumers have yet to hear of the FTU proposing to undertake a substantive review of the industry and its membership. The FTU could have sought assistance or partnership with the Ministry of Transport to have a thorough review along the same lines as that conducted for the bus industry. The August 2009 fare increase carried conditions by the Ministry of Transport whereby the industry undertake reform such as *improvement in customer service, maintenance of vehicles, etc. The LTA should as a priority relook at the 2009 increase and consider whether the FTU had made any progress on this*. Many taxis are in dilapidated conditions with wrangling body parts, no air conditioning, broken windows or door handles and general signs of poor maintenance. Taxi operators are reluctant to invest in new vehicles

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<sup>3</sup> Figure from the 2008/09 Household Income & Expenditure Survey (HIES) by the Poverty Eradication Unit of the Office of the PM as reported in the *Fiji Times*, 21 April 2010.

and customer care is lacking. The Council has received complaints on taxi drivers being rude to passengers, refusing patrons desiring short runs, not having adequate change and putting on loud music which is a disturbance to consumers. Many taxi drivers also allegedly do not switch on their taxi meters with the intention to siphon extra money from passengers. This clearly shows that the taxi operators are just concerned about how much profit they make instead of providing quality service to their clients. The taxi industry is riddled with inefficiencies and shady practices and needs through cleaning up. The majority of violators of road regulations in 2008 were taxi drivers with PSV licenses. Consumers cannot be expected to pay high prices for unsafe vehicles and extremely poor services. Furthermore, the FTU had been calling for taxi operators at Nadi International Airport to be allowed to impose a surcharge of \$5. What is the justification for this surcharge and most of all why should we be discriminating against the tourists? Tourism is a source of income to thousands of people including the taxi operators and hence we should be creating an attractive Fiji tourism sector rather than trying to swindle extra dollars off tourists.

## **6.0 Middle Man Approach: Distorting Revenues**

A practice that the Council has always voiced against is the **middle man approach**. We are concerned that many licensed taxi operators are sub-contracting their taxis and bases to other people on a fixed income for the day. The existence of the **middle-man approach** within Fiji's taxi industry is not only causing inefficiency and low revenue levels for drivers but also becoming a hindrance in them repairing the vehicles because they don't have enough funds to do so. The majority of income earned by drivers goes to the taxi owners while the rest is spent on fuel and drivers' survival. As a result many taxis now running on roads are in dilapidated conditions posing risks to consumers and other motorists. What is worse is majority of these taxi plate owners are employed or engage in other income-generating activities. They are in the taxi business for extra cash. The Council strongly believes that the LTA should seriously look into this middle-man approach. The FTU is always crying about the low income generated by taxis, but does not reveal the fact that in many cases there is more than one player sharing in the piece of the cake. Most often the FTU makes submissions based on what taxi drivers earn, this creates an illusion that there is only one revenue collection point, i.e. taxi driver. It is not surprising that drivers claim low revenues, a situation the FTU lobby maximises to its advantage. As discussed above, one set of income is actually shared by more than one participant and there is a lack of diversity in ownership. It is about time that the LTA puts in place a standard operating structure that does not distort the revenues generated in the industry. The LTA should thoroughly investigate middle-man approach in the industry before making any decisions on the FTU's submission.

## **7.0 FTU information and evidence**

The Council strongly suggests that the burden of proof should rest on the FTU in providing support for an increase in the taxi fare. The FTU should provide verifiable data on taxi ownership to the LTA such as information on the number taxis and licenses per owner, including **actual income** derived by the owners. The FTU should be able to provide evidence of increased costs from its members and this should be submitted to the LTA. There should be an improvement or change in the revenue collection and reporting system. At the moment taxi operators rely on the taxi meters to verify income generated by drivers. This is not a full proof system as it is open to abuse such as drivers not using the meters. The Council suggests that a ticketing system, similar to the one used in the bus industry, be used. This would improve not just revenue collection but revenue monitoring by the LTA and the Fiji Islands Revenue & Customer Authority (FIRCA). It would also help these authorities verify income generated and also trace the origins of revenue distortions (i.e. in the middle man system).

## 8.0 Fuel Price

The Council submits that since August 2009 (last increase in taxi tariff) the highest upward movement of the fuel price (motor spirit) has been just 7.7%.<sup>4</sup> Furthermore, the fuel price had only increased by a mere 0.9% (2cents) between August 2009 and November 2010. Diesel only increased by 6.9% during the same period (\$1.73 -> \$1.85). The highest diesel price during this period was \$1.94 (May 2010). Hence, since the last taxi fare increase, fuel prices have been relatively stable and have not increased substantially. The FTU thus cannot use the fuel price as a justification for the change in the tariff. Furthermore, the Council has been persistently called on the LTA and Ministry of Transport not to rely on a single factor like fuel price as the basis for fare determination in the taxi (and bus) industry. (Attached fuel price list 2003-2010).

## 9.0 Conclusion

The Council finds that the FTU's call for a change in the taxi fare is baseless and not justified. Consumers had experienced high increase in the cost of public transport following the taxi and bus fare increases in 2009 and poverty levels in the country are high. Any increase would further raise the cost of living and worsen situation of consumers. The FTU's submission for a change in the **cents per distance** tariff disguises the real figure increase they are calling for, which is **100%**. The LTA should confront the FTU and taxi industry over the conditions of the 2009 increase first before entertaining any other requests. The fuel price has remained relatively stable since the August 2009 hike and thus the FTU cannot use this as a basis for their fare proposal.

## 10.0 Recommendations

- The LTA should reject the FTU's proposed amendment to the fare structure;
- LTA should look into the ownership and revenue structure in the industry and remove the **middle-man approach**;
- LTA should consider following the price determination system used by the Commerce Commission whereby real operating costs and revenues are scrutinised with original invoices, receipts and other documentation. This can be applied to the taxi industry.
- LTA should consider improving revenue collection and monitoring in the industry and could establish a ticketing system such as that done for the bus industry.

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<sup>4</sup> Motor Spirit price in August 2009 before the taxi fare increase was \$2.08 and the highest price was \$2.24 in May 2010. This current price is \$2.10.