



Consumer Council of Fiji

www.consumersfiji.org

22 October 2019

The Chief Executive Officer
Fijian Competition and Consumer Commission
Employers Hub Building
42 Gorrie Street
Suva

Dear Mr. Abraham,

RE: Call for Submission for Review of Commerce Commission (Control of Maritime Shipping Services, Freight Rates and Passenger Fares) Order 2016

Warm Greetings from the Consumer Council of Fiji!

Please find attached the Council's submission on the FCCC (Control of Maritime Shipping Services, Freight Rates and Passenger Fares) Order 2016.

We sincerely hope the issues raised and the recommendation in the submission will be given kind consideration.

We would be happy to provide further clarifications should these be required.

Yours sincerely,

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Ms. Seema Shandil
Chief Executive Officer



*A Submission to the
Fijian Competition and Consumer Commission*

on

*the FCCC (Control of Maritime Shipping Services,
Freight Rates and Passenger Fares) Order 2016*

22 October 2019

1.0 Role of Consumer Council of Fiji

The Council has statutory obligations under *the Consumer Council of Fiji Act (Cap 235)* to ***“to do all such acts ad things which it may necessary or expedient to ensure that the interests of consumers of goods and services are promoted and protected.”*** The Council is also obliged to advise and make recommendations to the Minister responsible for consumer affairs in Fiji or any other Minister on issues affecting the interests of consumers. The Council is a key stakeholder in the formulation of policies, legislations and standards in the country. The Council being the frontline or first point of contact for consumer grievances has a strong mandate from consumers to express their viewpoints on issues affecting them.

The Council welcomes the Fijian Competition and Consumer Commission’s (FCCC) request for our submission in the Review of Commerce Commission (Control of Maritime Shipping Services, Freight Rates and Passenger Fares) Order 2016. The Council sincerely hopes that the issues it raises here are given due consideration which are in the interest of consumer justice and fairness.

2.0 Consumer Council’s Submission

Consumers are the single largest group impacted by any economic decision, and in a challenging fiscal environment, we believe it is particularly important for the government to consider the concerns of Fijian consumers while reviewing the maritime services, freight rates and passenger fares. The following are important considerations.

2.1 Shipping Services still Essential for Maritime Areas

Inter-island shipping service provision is a crucial and very distinct element in the development process of Small Islands Developing States (SIDS) especially for Fiji being a maritime nation. Shipping services is the cornerstone for socio-economic development for the nation. It plays an essential role in Fiji’s economy as domestic trade heavily rely on maritime transport. It is a service, which is part of our national, regional and international communications network which gets us truly united for commerce and connected as a nation.

Fijian citizens who stay in maritime areas rely heavily on shipping services in order to transport commodities, fuel, food items, medicines, goods and products. Sea freight is also much cheaper when compared to airfreight costs. Maritime transport is the backbone of trade for the people living far away in the islands. The government is also committed to ensure safe, reliable and affordable shipping services for all Fijians.

3.0 Commerce Commission (Control of Maritime Shipping Services, Freight Rates and Passenger Fares) Order 2016

The Council commends FCCC for regulating the shipping industry (Shipping services, freight rates and passenger rates). This came into effect after a submission was done by the Council in 2012 to review the old Price Control Order (PCO) – Copra Freight Charges No.12, Barge Freight Charges No.13 and Ship Freight Rates No.14, which was outdated. In fact, the Consumer Council has been

a lone voice in the past several years, highlighting problems such as poor services, unfair charges, sanitary conditions of ships, and lack of regulation on non-safety aspects of shipping services.

4.0 Conduct of Shipping Companies in the Provision of Passenger and Freight Services

Table 1: Number of complaints lodged at the Council from 2015 – October 2019

Year	Number	Monetary Value (FJD)
2015	12	\$ 10,038.00
2016	23	\$ 5,559.20
2017	24	\$ 5,510.90
2018	42	\$ 5,670.45
2019	27	\$ 22,675.36
Total	128	\$ 49,453.91

(Source: Primary Study – Consumer Council of Fiji, 2019)

Some of the most common problems/issues faced by the complainants are listed here:

- Damage done to their goods and luggage while in the process of loading and off-loading;
- Loss of their belongings with no compensation;
- Exorbitant charges on both regulated and non-regulated food items sold in ships for consumers;
- Change of schedules while traveling;
- Unannounced cancellation of the trips with passengers stranded for days;
- Delay in the departure time;
- Poor and inhumane conditions of the vessels in terms of accommodation, wash rooms and eateries on board;
- Lack of safety provisions.
- Non-disclosure of full information on ticket and exorbitant freight charges;
- Consumers incurring costs due to ship delays or cancellation; and
- Non-provision of bus transportation for ferry services in Viti Levu and Vanua Levu.

5.0 Financial Institutions Contribution to Develop Fiji's Domestic Shipping Industry

Fiji has recently experienced a lot of sunken and aground ships which ignites the need to replace old vessels with new ones for the safety of our Fijian consumers. The shipping industry also has a limitation to age for Fiji-owned vessels to operate in before deregistration, that is 55 years, as per the Maritime Safety Authority of Fiji's (MSAF) Ship Registration Act 2013, unless the ship owner or operator has ensured that the vessel has undergone a full survey carried out by MSAF and is in compliance.

The Fijian economy is dependent on the fleet of quality vessels as they not only transport people but also a means to transport goods and commodities. Shipping vessels are imported in Fiji which are too expensive to invest without acquiring loans. The Council views that with financial institutions support in providing loans with feasible interest rates, it will not only see new fleet of vessels in the sea but also an improvement in the quality of ships. These new ships will be up to par in terms with:

- Being environmentally friendly through low carbon emissions
- Fuel Efficient

- Safe and secure mode of transport

Therefore, support from financial institutions are essential for growth in Fiji’s shipping industry in order to continue safe, reliable and affordable shipping services.

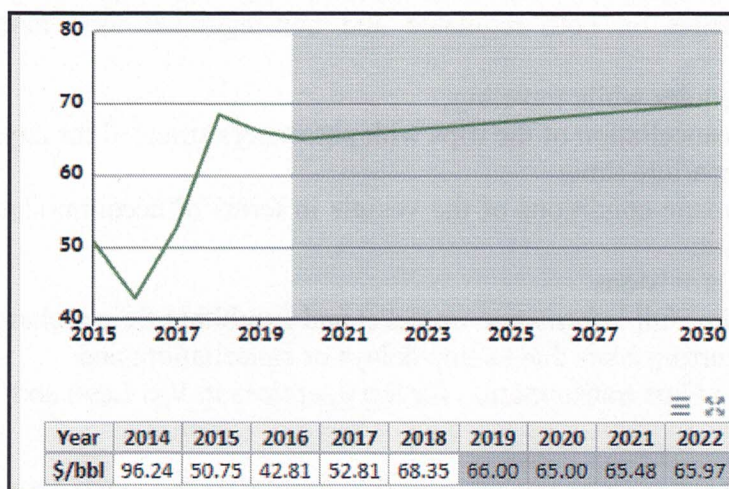
6.0 Comments on the current regulated Freight rates and passenger fares

Fare structures and freight rates have an impact beyond the ordinary consumers or businesses using shipping services. It has important implications to consider for the setting of prices of goods and services in the outer islands.

The current slowdown in world crude oil prices are expected to remain until the end of 2019 and a further reduction in oil prices is forecasted for 2020. However, the increase forecasted for 2021 and 2022 is not expected to exceed 2019’s average crude oil price (refer Table 2 below). The mentioned current decline in world prices have already been reflected in domestic price through the recent reduction in the last quarter as per FCCC’s Petroleum Prices Order 2019 (No. 4).

Given the forecasts, the shipping industry should not experience any increased costs resulting from fuel prices. Hence, the Council proposes that the current freight rates and passenger fares to remain the same, if not decreased.

Table 2: World Bank: Average Crude Oil Price projections: 2014 - 2022



(Source: Crude Oil Price Forecast: 2019, 2020 and Long Term to 2030 via <https://knoema.com/yxtpab/crude-oil-price-forecast-2019-2020-and-long-term-to-2030>)

7.0 Recommendations

It is apparent that in an island state such as Fiji, inter-island shipping services plays a pivotal role in its development. The movement of people, goods and services is essential in the process of development. Shipping services plays an important role for operators and consumers. A key responsibility of the regulatory bodies, FCCC and Maritime Safety Authority of Fiji (MSAF), is to ensure that shipping service operators feel the competitive pressure to meet the needs of consumers, particularly for affordability and quality of service.

FCCC has called for submission from stakeholders where the Council is purely basing its views and recommendations on any change that can impact consumers' interest in the marketplace.

The Council recommends that:

- 7.1 The Fijian Competition and Consumer Commission reviews and extends the *Commerce Commission (Control of Maritime Shipping Services, Freight Rates and Passenger Fares) Order 2016*.
- 7.2 The current freight rates and passenger fares to remain the same, if not decreased as it is evident that there has been reduction in the world oil and domestic fuel prices that is easing the burden on Shipping industry's fuel bill.
- 7.3 Shipping industry to provide safe, reliable and cleanest form of transport to provide safe, affordable, and sustainable shipping services around the country.