



## **PRESS STATEMENT**

### **FCCC Completes Price Reviews on Bus Fares, Flour, Bread and Biscuit Prices Friday 6 May 2022**

The Fijian Competition and Consumer Commission (FCCC) has completed several reviews that were triggered by monumental changes in the global market. FCCC received submissions for reviews of bus fares, and wheat products – namely, flour prices, bread prices and biscuit prices. The applications by the traders cited major shifts in input costs resulting from the global hike in fuel prices for bus fares and wheat prices for flour, bread and biscuit.

Following a robust and independent analysis of the submissions by the traders, the following price changes have been approved.

#### **Bus Fares**

FCCC has completed its assessment of the Bus Fare Review. Taking into consideration all necessary historical data, and changes in input costs such as fuel prices, tyres, consumables, and spare parts, we have approved an increase of 36.30% for all the stages.

The Bus Fare Review was conducted in accordance with the 'Bus Fare Regulatory Framework' in assessing the price change. The Framework sets out the approach applied in regulating the bus fares and, to ensure regulatory transparency, FCCC published this framework in 2020.

The key considerations in determining the fares are:

1. the cost of providing the services;
2. the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and bus operators;
3. the protection of consumers from abuse of monopoly power in terms of fares, policies and standards of service;
4. the social impact of the determination or recommendation; and

5. the impact of the determination or recommendation on the use of the public passenger transport network and the need to increase the proportion of travel undertaken by sustainable modes such as public transport.

Again, it is important to note that FCCC sets the maximum amount that bus companies can charge as a price ceiling allowing operators on competitive routes to compete on the basis of cost leadership and offer the best deals to Fijian consumers. A price ceiling is meant to protect against overcharging by operators in routes where competition is lessened, limited or non-existent. FCCC utilises such a mechanism to regulate possible monopolies which may develop on routes which are being serviced by a single company in order to protect Fijians.

In this current review period, the delay in assessing the submission has highlighted some genuine concerns that FCCC wants the bus industry to remedy prior to the next review – the provision of full information as outlined in the Regulatory framework. In order to qualify for any reviews, we remind that each bus operator must individually file a submission to the FCCC. Simply, telling us that you do not keep proper records is not acceptable.

FCCC had received submissions for a 60% increase in stage one and a 25%-30% increase in stage two onwards. Bus operators, and other public transport operators, need to keep in mind that everyone has to be treated fairly in all regards and charging higher fares for only Stage 1 consumers will be a massive disadvantage to everyday Fijians who stay within a 6km radius of their destination. Moreover, such a system of focusing on Stage 1 will disadvantage rural operators who provide essential services to Fijians in the rural areas.

An increase in the maximum bus fare 36.3% in all Stages has been quantitatively deemed necessary for the sustainability of the Fijian bus industry. To put the price changes into perspective, the Stage one fares increase from \$0.75 to \$1.02, Stage two fares will increase from \$1.18 to \$1.61 and so on.

The changes in input costs of fuel, tyres, spare parts etc were determined to be a direct result of global disruptions to both our purchase prices as well as international shipping freight charges. The review further considered changes in market conditions and the operating environment as a result of the COVID pandemic when bus services were not operational or operational at reduced capacity.

This review was necessary to ensure the sustainability of the bus industry. The bus industry plays a vital role in Fiji's transportation sector, enabling thousands of Fijians to commute daily. This increase in fares will allow bus companies to remain operational and provide uninterrupted services.

Ultimately, our goal is to support a bus industry that upholds the best interests of all Fijians. We hold great confidence that the Fijian people trust the FCCC to make independent and fair decisions in the national interest. It is our commitment to always conduct our due diligence, thoroughly scrutinise submissions and consider the cost of service, as well as the efficiency, affordability, reliability and sustainability of the industry as a whole.

By doing this, we have made the fairest possible decision for both Fijian Bus operators and the travelling public.

These rates will be effective from 13 May 2022.

### **Flour**

FCCC had received submissions from flour manufacturers citing steep increases in global wheat prices. Ukraine and Russia are known as 'the breadbasket' of Europe, producing nearly 30% of the world's wheat, while 75% of the essential oils used in cooking and preparing food are also produced there. Together, Russia and Ukraine export 20% of the world's corn, mineral fertiliser and natural gas — components used in the production and cultivation of grains and seeds. So any conflicts arising at the source will have a direct impact on Fiji and the rest of the world.

Indicative analysis of the international wheat price movement shows consistent increases since the third quarter of 2021. For ease of reference, the Australian Hard Wheat prices increased from \$326.68 in the 2019 price review to \$422.54 in the current review.

FCCC undertook a thorough review of the cost components and has approved an increase of 8-9% depending on the individual flour products. For example, Normal Flour 10kg pack factory wholesale price increases from \$14.57 to \$16.30. This will result in retail price changes from \$15.68 to \$16.95.

The prices are effective from Friday 13th May 2022.

## **Bread and Biscuits**

Following a review of flour prices and submissions by the manufacturers, FCCC has approved the following changes in the prices of bread and biscuit:

- Breakfast Crackers-FMF Brand 375g pkt price increases from \$1.70 to \$2.00.
- Breakfast Crackers-FMF Brand 5kg plastic pail price increases from \$28.41 to \$32.14.
- Breakfast Crackers-FMF Brand 2kg plastic pail price increases from \$12.36 to \$13.89
- Long loaf price increases from \$0.71 to \$0.94.
- Medium white (600 grams sliced) from \$1 to \$1.54.
- Medium wholemeal (600 grams sliced) from \$1.14 to \$1.63.

The review took into account the input cost changes and price changes are a direct result of increased flour prices and the fact that bread prices were last reviewed for cost changes in 2011, and the changes in input cost prices over this decade – but more so in recent years – have finally taken their toll.

The prices are effective from Friday 13th May 2022.

## **Market Outlook**

As announced previously, Russia's invasion of Ukraine has caused a ripple effect across the world, worsening the global food crisis. Since February this year, the war has caused a disturbance to the world's supply chains by driving up the cost of fuel and creating a scarcity of grains and fertiliser. The UN FAO has reported that international food prices are the highest in 60 years and they could continue to rise by a further 20% if the war continues.

Unfortunately, the market forecasts are also looking bleak. The war has cut world wheat production and projections for 2022 are negative because of the possibility that at least 20% of Ukraine's winter crop will not be harvested because of "direct destruction".

The Russia-Ukraine war has negatively impacted COVID-19 recovery efforts. Even before the war, production had not kept pace with surging demand from a global economy recovering from the pandemic.

Russia is the 2nd largest supplier of oil to the world, supplying 11% of the world's oil. Global oil prices rose to above USD \$113 a barrel after Russia launched an invasion of Ukraine, hitting triple digits for the first time since 2014 and in recent reviews refined fuel prices have been soaring.

In general, the war has increased the prices of basic commodities and driven freight prices further up. We must also understand that decisions made by other countries in response to the Russia-Ukraine war can play a part in the prices of goods in Fiji.

For instance, our global trading partners could face new difficulties in shipping from Russia and making payments to Russia. Supply will be hindered as countries impose sanctions on Russia.

The true impacts of this may not be readily known, but there is one certainty – supply-side issues, together with growing demand, will push the prices of the products up. Fiji cannot control any of these factors nor can Fijian businesses control any of these factors. We are price takers in a global market and are impacted by all these factors.

Doing the right thing is not always popular and in this instance, the right thing to do was to increase fares and prices. We will continue to question any proposed increase in efforts to protect Fijian consumers while ensuring that Fijian businesses that provide employment remain sustainable.

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