

Media Release

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“OUR forwards to Transport Minister its recommendations for bus and taxi fare increases”

The Office of Utilities Regulation (OUR) has forwarded to the Minister of Transport and Works, the Hon. Mike Henry, its recommendations on the applications for fare increases from the Jamaica Urban Transit Company (JUTC) and three associations representing route taxi operators.

Those associations are the National Association of Taxi Operators (NATO), the National Council of Taxi Associations (NCOTA) and the Route Taxi Association of Jamaica (RTAJ).

The JUTC in its application sought a fare increase from \$50 to \$70 for adult passengers and from \$15 to \$20 for concessionary passengers.

The OUR has outlined to the Minister both the economic cost recovery and the operational cost recovery scenarios which show the JUTC would require subsidies from a high of just under J\$3b to cover its economic costs and a low J\$1.3b if it is to merely cover its operational costs. These subsidies would only be applicable if the fares being sought by the JUTC are approved by the Minister.

Among the other recommendations to the Minister is that the Fare Adjustment Mechanism (FAM) developed in 2005 be implemented to address changes in fuel price and other local and foreign inputs used by the JUTC. The *Office* had determined then that the FAM should be calculated annually and fares adjusted on October 01 of each year.

However, if there is a cumulative fuel price change of 30% or more within a given six month period, the *Office* recommended that arrangements should be made to adjust the fuel component of the FAM semi-annually with the second adjustment being made on April 01.

The *Office*, in a separate document, has recommended that for Route Taxi Operators, there should be a base fare of \$63.48 for the first two kilometres of travel with a charge of \$4.07 to be applicable to each additional kilometre after the initial two kilometres.

However *the Office* has indicated that for practical purposes, a fare of \$65.00 for the base stage and \$4.00 for each kilometre thereafter could be implemented.

The *Office* also recommends that there be a review of the above fares in the event that there is a 25% combined change in fuel prices and the exchange rate.

The National Association of Taxi Operators (NATO), the National Council of Taxi Associations (NCOTA) and the Route Taxi Association of Jamaica (RTAJ) in submissions to the Minister of Transport and Works earlier this year, requested that the Ministry grant a 30% increase in fares. The Transport Authority referred the submissions to the OUR and requested its recommendations.

The OUR is mandated to regulate the transport sector through the Office of Utilities Regulation (Amendment) Act 2000. Section 4(4) provides that: *“The Office shall have the power to determine, in accordance with the provisions of this Act, the fares which may be charged in respect of the provision of a prescribed utility service.”* The First Schedule of the Act defines *“Public Transportation by road, rail or ferry”* as a prescribed utility service.

Section 16 of the Transport Authority Act provides that the Authority may set fares for the sector *“with the approval of the Minister”*.

As such the OUR merely makes a recommendation on the fares which may be charged as the role of *the Office* is limited to that of advisor to the Minister on the economic regulation of the public passenger transport sector.

The recommendations are posted on the OUR’s website at www.our.org.jm