



**The Hong Kong
Shippers'
Council**

香港付貨人委員會



Willy Lin
Chairman

Chinese right to P3 expansion p

It was a great relief to shippers when the Chinese Government (MofCom) rejected the joint operation application by Maersk, Corporation, and CMA-CGM (P3) on 17 June 2014.

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P3 comprises the three largest shipping lines in the globe and its combined capacity in all major trade lanes is substantial. In Asia-Europe trade, its capacity share is an intimidating 47%, substantially higher than any market share threshold that prevailing competition legislations would allow. MofCom rightly pointed out in its announcement that P3 would lead to over market concentration and could have a negative impact on fair market competition.

MofCom pointed out that the proposed P3 differed from the usual consortia arrangement, in that in the east-west route P3 would integrate all of its members' capacity through a network centre and the close-knit alliance would likely drive out competition and effectively block new entry.

The Council strongly supports MofCom's decision. The Council would also like to express its gratitude to the China Shippers' Association (CSA) for the tremendous efforts it made in pursuit of the decision.

In Hong Kong, competition legislation

has lagged substantially behind most developed economies. Although the Competition Ordinance was adopted in 2012, consultation on enforcement of the ordinance started only lately.

At the end of June, I had a chance to meet with Ms Anna Wu, Chairlady of the Competition Commission and two of the key members of her staff for a consultation. Shipping lines had asked for block exemption when the Competition Ordinance was drafted, and they would definitely demand the same when the ordinance is implemented. I was glad to learn that while there are exemption clauses in the ordinance, there are stringent requirements.

Indeed, I see no reason why pricing cartels like shipping conferences should ever be allowed. Shipping companies may have been powerful enough to influence international conventions and national laws in their favour in the past, but price fixing, market share agreements, capacity control and client management, which are the cores of conventional shipping conferences, should never be

block plans

t's Ministry of Commerce
Mediterranean Shipping



allowed in the business world
nowadays.

Shipping conferences have been outlawed by the European Union in 2008. However, consortia and alliance type of arrangements are still allowed. Frankly, even though shipping lines claim that consortia or alliances is purely co-operation over operational matters and not pricing, it would be extremely difficult to prove. With such arrangements in place, liners' management teams meet regularly. There is no way for shippers, or even the competitive authorities, to know what matters have been discussed and reliance on initiatives like whistle-blowing are hardly effective.

Shippers are very frustrated by the widespread unjustifiable charges and surcharges in the freight market, and the ruthless manner that these charges and surcharges are collected and charge levels raised. Documentation Fee (or B/L Fee, which is similar, if not exactly the same, in nature) has been increased from HK\$50 to the present HK\$200; THC from HK\$1,226 to HK\$2,750 (for 40 foot containers in Asia-Europe

trade);
Handling Fee
from zero to HK\$300-
\$500; Truck Registration Fee from
HK\$100 to \$300.

More shipping lines are collecting a Seal Fee while ignoring the fact that provision of seal is a basic duty of carriers because carriers rely on the seals for minimising their own liability. The list just goes on.

It is not uncommon for shippers to pay seven or eight charges and surcharges in addition to freight before shipment. There are charges from the carriers' contractors, like CFS and warehouse operators, too. The current situation is simply chaotic.

I recently had a shipment from Guangdong to the Hong Kong International Airport and the charges added up to 10% of my selling price! How can manufacturers have such a

margin for
charges and
surcharges? Is there
a future for the Hong Kong
logistics industry if cost levels are so
high?

Like mass consumers and package tourists, shippers need protection from a more regulated environment. Taking advantage of the fact that most exports are under Free-On-Board terms and that local shippers have no choice over carriers, shippers become victims of market abuse by carriers. In the absence of a level playing field, we call for the establishment of a regulated framework for charges and surcharges based on justification and reasoning. Shippers also need a swift dispute resolution mechanism as carriers always resort to the tactic of delay and shippers are disadvantaged. The SAR Government is setting up a Maritime Development Council; establishment of a well-defined freight market environment should be a priority item on its agenda.