

Depot Fee: An anti - competitive act

The Hong Kong Container Depot and Repair Association notified the Council on 16 Feb 2008 by letter, that its members would start collecting a Depot In/Out Management Fee of \$10 per truck move starting 1 April 2008. The letter was signed by all of its 24 members. The reason for the fee is to pay for the cost of setting up special handling zones in order to speed up the process of handling containers.

I must denounce this levy. Our commercial dealings, as shippers, are with the shipping lines who inform shippers where to pick up empty containers and then where to deliver them back for loading onto the ships. For shippers, it would be most convenient if we could take the boxes straight to port-side. But the outside depots are selected by the shipping lines and they provide storage, handling and repair services to the shipping lines. For this, shippers pay the shipping lines Terminal Handling Charges and Documentation Fee, in addition to freight and other surcharges that should cover all container handling services.

Terminal Handling Charges in Hong Kong are indeed highest in the world at about \$2,850 per 40ft container for the major trades. Shipping lines already make substantial profits from the exercise, yet here they are introducing a new charge or allowing their handling agents to collect a new charge which,

again, goes towards container handling! How many times must the shipper pay for container handling?

Shipping lines that use outside depots enjoy savings from lower storage and handling costs, but the shipper is the one paying a higher haulage cost while getting a much inferior service. Almost without exception, outside depots cease to work at 5 pm. The sub-standard handling at depots and the short operating hours have long been subjects of complaint from shippers. And now, the injustice is that shippers are being asked to pay even more for this inferior service!

Shippers have certainly found no justification for the new charge. Anyone in the industry can see through the shallow justification of "establishing excess handling zones". Nothing is really being done at the depots, no new zones are being set up nor is there any improvement to service. In fact, service has been disrupted by the imposition of this new levy. The outside depots are so small that there is hardly any space that could be spared for establishing new zones. Indeed, it has been a month since the commencement of the levy and no new areas have been seen.

The depot operators are enforcing the levy by refusing service to the trucking agent of the shippers that refuses to pay, or by employing all sorts of delay tactics such

as asking the trucks to queue up again and again, telling them they need time 'to clarify', or by not providing container seals and other excuses. These actions are just plain blackmail. Shippers who refuse to pay the Depot Fee have to wait for more than an hour before they could be served. This is certainly harmful to Hong Kong's reputation and function as a logistics hub.

I must also point out that the levy, implemented by almost all members of the association that comprise the overwhelming majority market share of container depot services—is the most blatant example of anti-competition. It comes at a time when the Hong Kong government has just released its competition policy for public consultation. The competition policy states, as its very basic objective, "to enhance economic efficiency and free flow of trade, thereby also benefiting consumer welfare." That says it all, and so I have lodged protests with the Commerce and Economic Development Bureau and I understand that investigation into the matter has started. The Council is keen to see how the competition policy would cover such an action as the Depot Fee.

The Council is also exploring the possibility of raising similar complaints to authorities in Europe and the US against shipping lines, since the charge arises from bookings made by shippers with shipping lines.