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17/12/2003*

FAX TO :- ACCC

FAX FROM :- GEOFF COX

ATTEN :- DAVID SALISBURY

DATE :- 15/12/2003

**SUBJECT :- ACCC part X investigation
Into the AADA**

**No. of Pages :- 1 of 2
(include this page)**

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REC'D 17/12/03**

Dear Mr Salisbury,

Your ref. M2003 /360.

Here is our submission in response to your letter of 11th November 2003 regarding the Asia - Australia Discussion Agreement (AADA).

Thank you for the opportunity to comment.

Largely speaking the effect of the Seafreight price rises has only one obvious outcome - the price of the product to the consumer is higher than it would otherwise be.

In the short term we are able to accept delays in passing on costs and price rises (or price falls !) but any business aims to make the percentage of profit available to it based on the competition in it's particular industry.

Seafreight price rises affect all importers so the extra cost will eventually be passed on for importers to maintain profitability.

For us the following reasons particularly concern us in regard to the huge levels of price increase :-

- 1) The shipping lines involved appear to be blatantly colluding to extract huge price rises from their customers at a time when their costs appear stable.
- 2) There are almost no alternative shipping services available for Australian Importers to use.
- 3) Since the sale of ANL Australian Importers are at the mercy of overseas companies for seafreight transportation and who appear to be immune from Australian legislation.
- 4) Freight rates from Europe have also started to rise so it appears the AADA situation may be the thin end of the wedge. Largely speaking the companies involved in the AADA also supply us with freight services from Europe.

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2

- 5) The peak season surcharges are attempted to be justified by Shipping Lines on the basis that they are needed so that Shipping Lines are able to maintain efficient services during busy periods.
The actual situation during peak season is that containers are shipped late or held in transhipment ports having missed connecting sailings.

Shipping Lines seem to sometimes deliberately mislead us about space availability when we arrange shipment perhaps so that we do not move to a competitors service.

We received a container today from Vietnam which was being carried by the MSC shipping Line. This container had been left in Fremantle by the shipping line for over a month in addition to the normal 3 week transit time.

We were not told of it's location until after it was supposed to have arrived in Melbourne. During the month it remained in Fremantle the shipping line refused to give us any information about when it would be forwarded to Melbourne.
This shipment contained cots and we were soon out of stock and unable to tell consumers when they could expect the cot they had ordered. At this moment we have 80 customers awaiting cots some of which we had promised to deliver 4 weeks ago before the situation was known to us.

We were referred to MSC's Singapore office if we wanted to communicate about this matter.

We are still awaiting delivery for a second container that was stuck in Fremantle for two weeks.

- 6) There are many shipping lines offering services to Australia from Asia so it seems likely without the AADA or collusion between shipping lines that market forces would allow competitive seafreight rates to prevail.

- 7) We are told part of the reason for the price rises is increasing demand for shipments from Asia to Australia. For our industry this seems unlikely because sales have been stable for some years.

In any case an increase in volume for most businesses equates to a lower cost per service due the fixed costs of the business being spread across more sales.

In conclusion I would like to say that the AADA appears to have no real benefits to Australian Importers and consumers and appears to lead to market price fixing to the detriment of Australian Consumers.

Yours Faithfully