



Australian Competition & Consumer Commission

Our Ref: CL96/1

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Dear «Title» «LastName»

**Trade Practices Act 1974, Part X Section 10.48 (1)
Complaint by the Australian Peak Shippers Association against the Australia - United States
Discussion Agreement**

The Commission has received a request from the Australian Peak Shippers Association (APSA) pursuant to section 10.48 of Part X of the Trade Practices Act, to conduct an investigation into the registered conference agreement known as Australia - United States Discussion Agreement. A copy of APSA's letter and the registered conference agreement is attached.

APSA have requested that the Commission conduct an investigation under section 10.45 (a) (iv) (A) into the question whether grounds exist for the Minister to be satisfied that parties to the conference agreement have given effect to or applied, or propose to give effect to or apply the agreement without due regard to the need for outwards cargo shipping services provided under the agreement, to be efficient and economical.

The Commission has considered APSA's request and has agreed to conduct an investigation.

The Investigation

The Commission will be interviewing parties in the industry, and other persons who have an interest in this matter, into the above question.

The Commission has previously considered the terms 'economical' and 'efficient' in a Part X context, in its March 1993 Report to the Minister on the introduction of Terminal Handling Charges in the Australia to North America trade. In that report the Commission noted the observations of the Trade Practices Tribunal in *Re Australia/Eastern USA Shipping Conference (1975) ATPR 40-011*.

With regard to efficiency, the Tribunal stated

'In one sense it is a general term which comprehends both the adequacy of the service and the extent to which it can be said to be economical, and relates these two factors to each other. In another sense it may refer particularly to the need for technical efficiency in the design, construction and operation of Conference vessels, to the need for efficiency in cargo loading, stowage and discharging, and for managerial and marketing efficiency in the Conference lines.'

With regard to economy of service the Tribunal stated:

'In order to determine whether a shipping service is 'economical', one must first know what type of service is regarded by shippers as being adequate to their requirements. When an 'adequate' service has been specified, the object should be to ensure that that service is provided at minimum cost. An economical service will operate at or close to this minimum cost level.'



Submissions

Parties in the industry are invited to make submissions to the Commission on the matters raised by the APSA as soon as possible; preferably by 30 August 1996. While the Commission welcomes submissions from interested parties, it will not unnecessarily prolong the investigation by waiting for submissions to be received. Issues on which the Commission will be seeking information include:

- the extent of competition (both northbound and southbound) from non-conference lines;
- the competitive environment in which Australian exporters operate (eg. the importance of freight costs in the total selling price of goods exported);
- the extent to which exporters can exert countervailing power to constrain freight increases sought by conferences, and aspects of non-price competition; and
- the lines' operational costs in the provision of southbound and northbound services.

The powers conferred on the Commission under Section 155 of the Trade Practices Act to obtain information, documents and evidence, for example by issuing a written notice or requiring appearance before the Commission, apply to this investigation if required.

Public Register

The Commission will maintain a public register of documents received in relation to this investigation including its final report to the Minister. Should you wish to receive copies of any documents on the register (reference no. CL 96/1) they can be purchased from

The Officer in Charge
Public Registers
Part X Investigation (CL 96/1)
Australian Competition and Consumer Commission
PO Box 19 Belconnen
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Phone 06 264 2966
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Any queries concerning this investigation can be referred to:

Ron Cameron	PH (06) 264 1717	FAX (06) 264 3222
Robert Dunning	(03) 9290 1853	
Philip Jones	(03) 9290 1846	

Confidentiality

Should you wish to provide the Commission with documents containing information of a confidential nature, the Commission may be able to grant confidentiality to the information in those documents, for example, costings, market share figures or similar commercial in confidence material. In those circumstances the information will not appear on the copy of the document placed on the public register. Information of this nature should be clearly marked and the name and telephone number of the officer having responsibility for the information should be provided.

Yours sincerely

*(signed R. Cameron
for)*

Margaret Arblaster
Senior Assistant Commissioner

31 July 1996

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23 May 1996

Mr M.B. Rawstron
Acting Senior Assistant Commissioner
Deregulating Industries
Australian Competition & Consumer Commission
P.O. Box 19
BELCONNEN ACT 2616

Dear Mr Rawstron,

Australia - United States Discussion Agreement (AUSDA)

Thank you for your letter of 20 May 1996 seeking more information in relation to APSA's request to have the AUSDA investigated.

In response to your request we are seeking an investigation under Section 10.45 (a)(iv)(A) i.e. whether parties to the agreement have given effect to or applied, or propose to give effect to or apply the agreement without due regard to the need for outwards cargo shipping services provided under the agreement to be: (A) efficient and economical.

APSA's argument is that there has been no real competition on the Pacific between Australia and the U.S. for reefer cargoes e.g. meat, until late 1994 although Cool Carriers had been operating a service out of Queensland ports for some years.

In 1994 the two independents, Scaldis & Cool Carriers decided to extend their services to cover NSW and Victoria and the U.S. Shipping Conference (AUSCLA) commenced a 'freight war' by reducing their freight rates to compete with these break bulk services.

This freight war continued during 1994 until the independents 'retired hurt'.

However in 1995 the two independents joined forces under the name of C & S Shipping to enable them to compete with AUSCLA.

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Mr M.B. Rawstron

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23 May 1996

Now we find from the Registrar that AUSCLA and C & S Shipping and another independent Seatrade have joined forces under the new Australia - United States Discussion Agreement.

The new expanded Discussion Agreement has only one effect and this is to eliminate competition on the Pacific between Australia and the U.S.

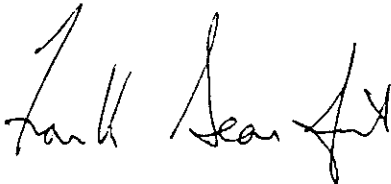
It is APSA's strong view that this move is an abuse of Part IV (S.46) of the Trade Practices Act and should not be exempt under Part X.

I should add that the other shipping service on the Pacific i.e. Fesco Lines (FANAL) has very little reefer capacity and is therefore not a competitor in the reefer trade.

Copies of various press cuttings are attached for your attention.

APSA requests, therefore, that an investigation by ACCC into Discussion Agreements generally and AUSDA in particular be carried out without delay.

Yours sincerely,



Frank Beaufort
Executive President

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Attachments

Leading independents are expected to lower rates after conference lines' reduction

Rates to US are cut for a second time

19/2/94

By Clare Longley

COMPETITION in the Australia to US trade lane intensified on Friday with the three conference lines cutting their rates for the second time in less than six months.

Meat exporters applauded the reduction which comes against a backdrop of uncertainty over domestic supply caused by drought, and an over-supply of cattle in the US.

The announcement by the Australia-United States Container Line Association (AUSCLA), which comprises Blue Star, Columbus and ANZDL, was effective from September 16 and runs through to December 31.

AUSCLA chairman and Blue Star managing director, Graham Lightfoot, said the cuts were a reaction to overtonnaging in the refrigerated cargo market to North America.

Independent operators, Scaldis and Cool Carriers have both confirmed they will announce rate cuts this week in response to the conference's move.

Scaldis entered the market in June and has taken a sizable slice of the meat trade from the conference.

Fesco, which in March began a roto sailing to the US west coast, confirmed on Friday it was going ahead with the introduction of three 1,000 teu container vessels in November, December and March.

A Fesco spokesman indicated the line would be looking to lift 650-700 teu per sailing from Australia.

The AUSCLA reduction brings bulkpack and

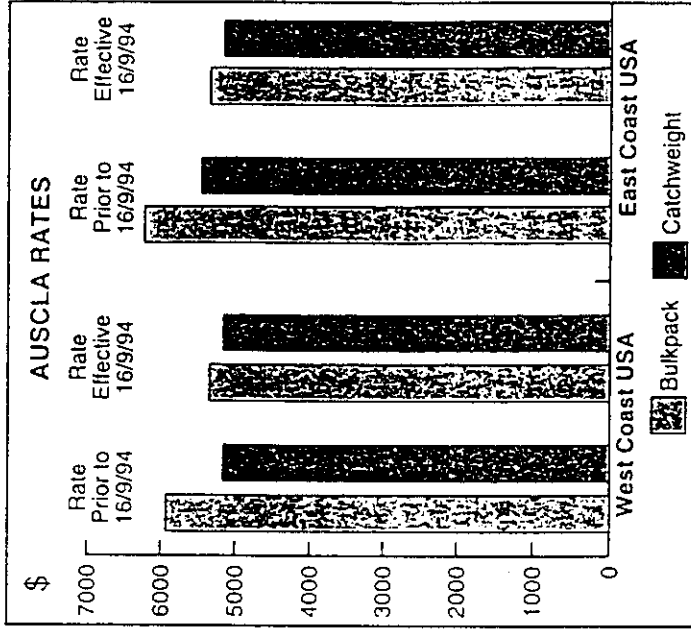
catchweight rates into line for the US east and west coasts. Bulkpack freight for both coasts now stands at \$5,350 per teu and for catchweight cargo to both coasts at \$5,165 per teu.

Specific reductions show US east coast bulkpack rates down by \$880 per teu and US west coast bulkpack rates down by \$580 per teu. East coast catchweight rates are down by \$300, while west coast catchweight rates are unchanged.

- Other changes are:
 - the introduction of a 700 carton cap/additional per teu with a \$342 per tonne bulkpack.
 - Philadelphia/Wilmington drayage charge reduced from US\$135 to zero.
 - Chicago arbitrary reduced by US\$135 from to US\$765.
 - Dallas and Atlanta arbitraries reduced by US\$100 to US\$400 and US\$600 respectively.
- Canadian (east coast and west coast), Honolulu and Mexican rates unchanged.

Australian Meat Council (AMC) executive director, Richard Crouch, said it was a strong endorsement of the AMC's recently announced policies on competition and deregulation.

However, the 700 carton cap was labelled "retrogressive" by Sanger senior executive, John Cooper. Efforts are being made by processors to redesign cartons and improve volumes loaded into containers but the new impost is likely to



add another US\$0.02 per pound to the export bill. George Gilbertson, chairman of RJ Gilbertson processors said question marks lay over volumes into the US next year and whether rain comes to break the drought.

Australia moves around 20,000 teu a year to North America, around 18,000 teu of which is bulkpack cargo.

While August volumes at 28,000 tonnes were up a little on July's figures of 24,000 tonnes they are still no match for previous years.

AUSCLA ^{19/9/94} cuts its rates to US

MEMBERS of the Australian-United States Container Line Association slashed freight rates to North America on Friday in a clear message to independent carriers who have been muscling in on their territory.

"It is a clear message to our customers that the long-term operators, people who have been in the trade for a very long time, remain totally committed to the trade," the managing director of Blue Star Line (Aust), Graham Lightfoot, said.

Mr Lightfoot said the decision to implement the substantial cuts immediately was taken in response "to the highly competitive situation that exists today".

Cool Carriers and the latest entrant, Scaldis, have been cutting rates for some time.

Asked whether the latest development placed AUSCLA rates on par with those charged by Cool Carriers and Scaldis, Mr Lightfoot replied: "No, it makes them very competitive."

Mr Lightfoot said that while the situation is not developing into a freight war, it was nevertheless "an aggressive response from the people

By JERZY FARYNSKI,
Sydney

who have been in the trade for a very long time".

The changes to AUSCLA rates are as follows:

- US East Coast freight rates have been reduced by \$880 per TEU for bulkpack cargo to \$5350 and the catchweight rate reduced by \$300 to \$5165.

- US West Coast rates have been reduced by \$580 per TEU for bulkpack cargo to \$5350 with catchweight rate of \$5165 per TEU being maintained.

- Introduction of a 700 carton cap/additional per TEU with a \$342 per tonne bulkpack or part thereof applied

thereafter in conjunction with the above.

- Philadelphia/Wilmington drayage charge will also be reduced from \$US135 (SA182) to zero.

- The Chicago arbitrary will be reduced by \$US135 from \$US900 to \$US765 with Dallas and Atlanta arbitraries reduced by \$US100 to \$US400 and \$US600 respectively.

- Expiry date for both ocean rates and arbitraries is 31 December, 1994 with current rates remaining on file for effect on 1 January, 1995.

Commenting on the announcement, the executive director of the Australian Meat Council, Richard Crouch, said meat processors would view this reduction as a bright spot in an otherwise extremely difficult trading environment.

"We welcome the strong endorsement of our recently announced AMC policies on competition and deregulation

by these actions and this move goes a long way towards assisting the industry to remain internationally competitive," Mr Crouch said.

"Competition in the shipping trade to North America has produced a substantial reduction in rates to enable container lines to compete with conventional lines."

Mr Crouch said the news comes against a backdrop of uncertainty of supply caused by the drought in Australia and an oversupply of cattle in the US, which is depressing meat markets.

Members of the AUSCLA are Blue Star, Columbus and ANZDL.

Aust-US meat carriers at war

AN ALL-OUT freight war appears to have broken out in the meat trade between Australia and the United States with Cool Carrier Australia slashing its rates yesterday.

According to the managing director of Cool Carriers, Russell Watson, his company's rates are now "more than competitive" with those offered by the conference carriers, members of the Australia-United States Container Line Association.

The conference members cut their rates as recently as last Friday and were followed on Monday by the other break-bulk carrier in the trade, Scaldis Australia.

Mr Watson yesterday advised meat exporters that with immediate effect the company's service to East Coast United States and Canada will charge bulkpack beef at \$275 per metric tonnes for the full service and \$245 per metric tonne for the mini cool service.

By JERZY FARYNSKI,
Sydney

At the same time, the new rates for catchweight beef are \$330 per metric tonne for the full service and \$300 per metric tonne for the mini cool service.

In addition, Cool Carriers are offering a "voyage/volume" discount arrangement, which is aimed at ensuring support for the company's unitised shipping arrangements.

Under this scheme, the volume of meat loaded on the same vessel will qualify for a discount on the applicable base rates with the discount rate applicable to the entire volume loaded at Australian ports.

The discount will be applied on a sliding scale with a four per cent discount on volumes between 150 and 500 tonnes, rising to as much as 10 per cent where the volume exceeds 1000 tonnes.

Mr Watson stressed his company has been in this trade for a considerable years and will continue to offer its competitive service.

The managing director of Scaldis Australia, Bror Bjurstrom, said his company's rates were reduced on Monday in line with the announcement last Friday by AUSCLA.

"They now match the conference rates," Mr Bjurstrom said with reference to the new level of freight rates offered by Scaldis.

He said the company had no plans or further reductions, at least not until "we have to".

As far as the timing of the latest reduction is concerned, Mr Bjurstrom said: "We followed them this time, they followed us last time."

Mr Bjurstrom said the trade is grossly overtonnaged with the number of lines more than doubling in the past 12 months.

AUSCLA lines slash their meat rates again

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MEMBER lines of the Australia-United States Containerline Association yesterday fired another "substantive" broadside in the freight rate war which has broken out in the meat trade to North America.

The chairman of AUSCLA, Graham Lightfoot, told *DCN* that as of 2pm yesterday member line's bulkpack rate was reduced to \$248 per tonne (minimum \$4092 per 20ft container of 16.5 tonnes) and the catchweight rate to \$297 per tonne (minimum 4158 per 20ft container of 14 tonnes).

A rate of \$342 per tonne will continue to apply for quantities in excess of 700 cartons bulkpack.

These rates apply to both, the East and the West Coasts of the United States (excluding Honolulu) and Canada.

Current inland charges and arbitraries would continue to apply.

By JERZY FARYNSKI,
Sydney

The lines have also instigated a voyage/volume discount arrangement, which matches that introduced on Wednesday by Cool Carriers and ranges from a four per cent discount for 150 tonnes to as much as 10 per cent for 1000 tonnes and above.

These rates will also apply to shipments of cartoned beef to Mexico but will be subject to the current SUS300 per TEU (SA-404) additional to the Mexican ports of Manzanillo, Vera Cruz and Lazaro Cardenas.

The AUSCLA rates compare with \$275 charged by Cool Carriers for bulk pack (full service or \$245 for the mini cool service) and \$330 for catchweight (full service or \$300 for the mini-cool service).

Mr Lightfoot described the new rates offered by conference members as "more than competitive".

"It is a substantive response which underlines the strength of resolve of the AUSCLA lines," he said.

Asked whether he would describe the situation as a freight war, Mr Lightfoot said it was very hard to back away from the fact that "an extremely competitive situation exists".

Speaking before the announcement of the latest AUSCLA rates, the executive director of the Australian Meat Council, Richard Crouch, said it was good to see competition, however, he hoped that that competition was being conducted "on a viable basis".

"I hope the basis for competition is a viable basis rather than a rash basis because it is in no one's interest for people to go into the realm of the unviable," Mr Crouch said.

He said shipping lines and the trade suffered during a "disturbed period" of intense competition.

Over the next two to three months reefer charter rates were going to be extraordinarily low so maybe these rates are good rates, reflecting the reefer marketplace, Mr Crouch said.

So far, he said, the competition has been good and healthy and expressed the hope that it would remain so.

Australia to US rates plunge to 30-year low

By Clare Longley *26/9/94*

FREIGHT rates from Australia to the US have plunged to their lowest levels for over 30 years as the conference lines created a major headache for their rivals with the announcement of another cut in charges.

Independent reefer carriers Scaldis and Cool Carriers found themselves immediately under pressure despite slashing their rates last week in response to an earlier reduction by the conference lines.

The members of the Australia-US Container Line Association (AUSCLA) — ANZDL, Blue Star and Columbus — also moved from a container to a tonnage rate measurement to provide a better dollar for dollar comparison with Scaldis and Cool.

Graham Lightfoot, AUSCLA chairman and Blue Star managing director, repeated

that it was all a matter of staying competitive. "We're alive to the position of the market place today and we won't be left behind," he told LLAW.

He admitted rates were considerably lower than anyone would like and that the trade needed stability.

New rates for the US east and west coasts, effective from September 22, are \$248 per tonne for bulkpack cargo (minimum of \$4,092 or 16.5 tonnes per teu) and \$247 per tonne for catchweight cargo (minimum of \$4,158 or 14 tonnes per teu).

The \$342 per tonne cap for bulkpack cargo in excess of 700 cartons still applies.

For the first time on this trade, volume discounts per vessel have been introduced.

A 4% discount is being offered for individual shipments of more than 150 tonnes, with a reduction of up to 10% for more than 1,000 tonnes. However most shippers fall into the lower band, AUSCLA said.

Discounts apply to each ANZDL sailing, each Blue Star and Columbus sailing to the US west coast and on combined Blue Star and Columbus Line to the US east coast.

Scaldis matched previous conference rates last Monday, while on Wednesday Cool Carriers posted \$275 per tonne bulkpack for its full service to the US east coast and Canada and \$330 per tonne for catchweight meat. Volume discounts are the same as the conference. Bror Bjurstrom,

Scaldis managing director, described the latest conference reduction as disastrous and totally unsustainable. "It's like white water rafting, we're hanging on until we get to calmer waters," he said.

He reiterated that the company had made a calculated investment in the trade and was not going to be forced out. Exporters would see a further rate drop from Scaldis early this week, Mr Bjurstrom said.

Cooltainers/RCC, which slot charters reefer space from Fesco, said it would be meeting to review its rates today.

Richard Crouch, Australian Meat Council executive director, said while it was good to see strong competition, this latest reduction jeopardised the health of the market which might, long term, remove strong competition.

● Conference probe — P5.

Cool confirms rates cut in US trade

COOL Carriers has confirmed it will drop freight rates on its Australia to US service this week. The reduction will see the reefer operator post rates at a similar level to the Australia-US Container Line Association (AUSCLA) and its main independent competitor, Scaldis.

Russell Watson, Cool Carriers Australia general manager, spoke to LLAW from San Francisco on Friday to confirm that a new rate structure was imminent. He was unable to say

whether the rates would be lower than those set by the conference and followed last Monday, by Scaldis.

Rates stalled last week as the market waited for a reaction from Cool. But AUSCLA chairman Graham Lightfoot, indicated any further cuts would set the "rate ball" rolling again.

He said that cargo had started to flow back to the three conference lines — Blue Star, Columbus and

Mr Watson said: ANZDL, — following their last rate cut two weeks ago.

Rates have plunged to a 30-year low and now stand at \$248 per tonne bulkpack cargo and \$247 per tonne catchweight to both the US east and west coasts.

Cool's rates last week remained \$275 per tonne bulkpack for full service to the US east coast and Canada and \$330 per tonne for catchweight.

Mr Watson said:

"These are crazy times, but we're up against predators and have to respond accordingly." He referred to Cool's ability to spread its business risk given the strength of its parent company, a joint venture between Norwegian shipping firm Lcif Hoegh and International Shipping Investment.

No company operating in this trade was making any money, said Scaldis managing director, Bror Bljurstrom. "We can't run a sustainable service at this price for ever," he

said. Cool released a new sailing schedule on Friday revealing its *Shinki Maru*, which has lain off Townsville for the last week, will now load at the port on October 6.

Other ports of call are Port Alma and Brisbane on October 10 and 12 respectively. Cool referred to the delay as a "rescheduling problem" but it is understood that shippers had switched to Scaldis and left the vessel without cargo. A second Cool ship, *Blue Ice*, will begin loading in Townsville on October 24.

3/10/94

5/10/94 AUSCLA rates decrease again

THE freight-rate war on the trade between Australia and North America intensified yesterday when conference lines again slashed their already low rates.

With effect from yesterday, members of the Australia United States Containerline Association are charging \$223 per tonne bulkpack which represents a minimum of \$3679 per 20-foot container (16.5 tonnes).

The freight rate per tonne catchweight has been reduced to \$267 for a minimum of \$3738 per 20-foot container (14 tonnes).

These rates are effective for both coasts of the United States (excluding Honolulu), Canada and Mexico (beef only).

In a further significant development, the conference carriers have removed the existing vessel volume discount scheme.

This has been done as a simplification of their previous pricing structure.

"Lines have responded to the trade's request for simplic-

By JERZY FARYNSKI,
Sydney

ity and transparency and the amended rates reflect the benefits of the earlier volume discount arrangements," a spokesman for Blue Star Line (Aust) said.

The 700-carton capping remains in place with any additional cargo freighted at \$342 per tonne.

The above mentioned bulkpack and catchweight rates will also apply to shipments of cartoned beef to Mexico.

These will be subject to the current \$US300 per TEU additional to Mexican ports of Manzanillo, Vera Cruz and Lazaro Cardenas.

Revised intermodal rates for Mexican border crossing points are:

■ Laredo and Brownsville — \$273 per tonne bulkpack beef (minimum \$4505 per TEU) and \$326 per tonne catchweight beef (minimum \$4564 tonne per TEU);

■ El Paso — \$289 per tonne

bulkpack beef (minimum \$4769 per TEU) and \$345 per tonne catchweight beef (minimum \$4830 per TEU);

■ McAllen — \$285 per tonne bulkpack beef (minimum \$4703 per TEU) and \$340 per tonne catchweight beef (minimum \$4760 per TEU).

The executive director of Australian Meat Council, Richard Crouch, yesterday welcome the simplicity of the new rate structure.

"Top marks for simplicity," Mr Crouch said, adding that other carriers, in particular the Australian Northbound Shipping Conference, should take a good look at the way the meat carriers have simplified their new rate structure.

As far as the rate itself is concerned, Mr Crouch said it was "a good market rate" which reflected the current state of the reefer market.

The managing director of Scaldis Australia, Bror Bjurstrom, said he would have to consider the latest announcement before responding.

More moves in meat-rate war

4/10/94

Hint of pull-out in the US trade

THE presence of a reefer vessel off the Australian coast, awaiting orders for more than a week, has given rise to speculation that one of the present carriers in the Australia-North America meat trade may consider withdrawing.

The chairman of the Australia-United States Container Line Association, Graham Lightfoot, said he was also aware of the suggestion.

Mr Lightfoot, who is also managing director of Blue Star Line (Aust), said the vessel is not associated with any member of the association.

Nevertheless, he said the presence of the vessel seemed to be "a significant development".

There has been intense speculation about the future

By JERZY FARYNSKI,
Sydney

of carriers in the trade since the outbreak of a freight-rate war between the conference and non-conference carriers last month.

Asked whether the current freight-rate level is unsustainable, Mr Lightfoot said it was at "an extremely low level".

"We are watching the situation with considerable interest," Mr Lightfoot said.

"We remain totally and utterly committed to the trade and will continue to take whatever action is necessary to protect our position."

The managing director of Scaldis Australia, Bror Bjurstrom, said the current



Bror Bjurstrom: Current rates not sustainable.

freight-rate levels in the trade to North America are not sustainable, at least not in the long run.

Mr Bjurstrom said he had also heard the rumor about a possible withdrawal but did

not wish to comment further.

Scaldis Australia is one of the two breakbulk carriers in the trade, the other is Cool Carriers.

The managing director of Cool Carriers, Russell Watson, is overseas and could not be reached for comment.

However, before leaving Brisbane for New Zealand and North America, Mr Watson stressed that his company has been in the trade for several years and had every intention of remaining there.

As the freight rates tumbled last month, meat exporters warned about the destabilising effect a freight-rate war would have on the trade.

Not only did the shipowners suffer in such a situation, they said, but the trade itself was likely to suffer as a result.

Cool staying in the US trade

COOL Carriers is determined to remain in the North American trade despite the current freight-rate war raging in the trade according to the company's managing director, Russell Watson.

Speaking to *DCN* from the United States yesterday, Mr Watson confirmed that one of Cool's reefer vessels, which was due to call on Townsville last week, the *Shinki Maru*, has sailed for New Zealand without taking on cargo.

Unlike the level of rates available in Australia, the *Shinki Maru* has picked up a "commercially viable" cargo, he said.

However, Mr Watson said that Cool's next sailing, due to be serviced later this month by the *Blue Ice*, is still on schedule.

"We are watching cargo disappear at very unsustainable rates," Mr Watson said.

By JERZY FARYNSKI,
Sydney

7/10/94
He said the low volumes of freight available were creating a problem as much as the low rates.

Mr Watson stressed Cool had given no thought of moving out of the trade.

As far as the level of rates was concerned, lowered again this week by members of the Australian United States Containerline Association, he said there will be no response yet from Cool.

"Not yet, but I will not rule out that possibility," Mr Watson said.

Asked when Cool might respond, he replied: "When we decide to put a vessel on the trade."

Asked about the identity of a carrier apparently being prepared for entry into

the Japan trade, in an effort to reduce the level of freight rates for meat, Mr Watson said he believed that to be Scaldis.

This, however, has already been denied by the managing director of Scaldis Australia, Bror Bjurstrom.

In his earlier position as managing director of Cool, Mr Bjurstrom is believed to have examined the viability of serving the region.

Meanwhile, reports of the possible entry of a new carrier into the trade to Japan were confirmed yesterday by a major shipping line that said it had also been made aware of a new entrant which, industry sources claim, is being "processed" for the trade.

Meat exporters are claiming that freight rates to Japan are too high and would like to see them lowered.

10/10/94

Cool reviews schedule as vessel is withdrawn

By Clare Longley

COOL Carriers told shippers on Friday that it was reviewing its Australia to US schedule and freight rates in response to continuing instability in the trade. Amid industry speculation that the reefer carrier was preparing to suspend its services, Cool confirmed the withdrawal of the vessel *Shinki Maru* from its sailing program but sought to reassure clients of its long term intentions.

"Cool Carriers, during the past, has shown a commitment to this trade and wishes to assure all exporters that it is our intention to remain a viable alternative to containerisation in the future," the company said in a circular.

The review of its schedule was in response to "the current turmoil and uncertainty in the trade combined with unrealistic and unsustainable freight rates", Cool said.

"We will revert soonest

with an updated schedule and freight rates. We look forward to your continued support for the remainder of 1994 and beyond," it concluded.

The *Shinki Maru*, which was due to call in Townsville on October 6, with subsequent visits to Port Alma and Brisbane, last week sailed for New Zealand for an alternative cargo.

A second vessel, *Blue Ice*, is still officially scheduled for loading in Townsville on October 24. It is understood Cool will confirm any rate changes when it announces another vessel for the service after *Blue Ice*.

Meat exporters said that without knowing when ships would be available and the costs of shipping with the line, it was impossible to make any long-term plans.

Bror Bjurstrom, managing director of rival reefer carrier Scaldis, said the last week had been hectic for his firm with increased liftings, probably as a result of the withdrawal of the *Shinki Maru*.

Earlier in the week, Australia-US conference line members restructured their rates, the third price alteration in as many weeks.

Vessel volume discounts were removed and rates now stand at \$223 per tonne bulk-pack and \$267 per tonne catchweight to the US east and west coasts.

In a statement on behalf of Blue Star, Columbus and ANZDL, Blue Star director David Field, said: "Lines have responded to the trade's request for simplicity and transparency and the amended rates reflect the benefits of the

earlier volume discount arrangements."

The 700 carton capping remains in place with any additional cargo freighted at \$342 per tonne.

Australian Meat Council executive director, Richard Crouch, welcomed the change saying exporters were in the business of marketing meat, not calculating different freight rates.

This week sees the return of Australian delegates from the Meat Importers Council of America meeting in San Francisco.

While discussions focused on the projected increase in meat volumes from Australia to the US for next year, there was disappointment that the US congress had not voted on the Gatt decision to officially set the quotas.

This is unlikely to take place until after the US congress election on November 8.

10/10/84

Cool suspends US east coast service

CONVENTIONAL reefer operator Cool Carriers has suspended its east coast US service until further notice. The move came as conference lines announced further cuts in meat freight rates to North America on Friday.

Cool has informed its customers that the scheduled sailing of the *Blue Ice*, due to commence loading at Townsville on October 25, has been cancelled.

"Our offices in Brisbane and Wilmington will stay in close and regular contact with shippers and receivers in order to assess the capacity requirements of the meat trade and to position vessels to service the trade immediately if it is appropriate," the company said.

"We hope to soon have the inducement to resume the regular service we started earlier this year

and shall revert with a schedule at an appropriate time."

The Australia-United States Container Line Association (AUSCLA) and the Australia-Canada Container Line Association (ACCLA) announced that current meat rates to both east and west coast US, Canada and Mexico (beef only) would reduce to \$200 a tonne bulkpack and \$240 a tonne catch-weight.

The 700 carton capping arrangement will remain in place, with additional cargo freighted at \$342 a tonne. The new bulkpack and catch-weight rates will also apply to shipments of cartoned beef to Mexico. These will be subject to the cur-

rent \$300 per teu additional to the Mexican ports of Manzanillo, Veracruz and Lazaro Cardenas. Revised intermodal rates were also announced for Mexican border crossing points.

In making the reductions, ANZDL, Blue Star and Columbus, the conferences' members, have reacted swiftly in an attempt to stem gains made in recent weeks by conventional reefer carrier Scaldis Australia.

Graham Lightfoot, managing director of Blue Star Line Australia and chairman of AUSCLA, said the conference action was not an attempt to undercut rivals' rates, but a question of remaining competi-

tive. He said the tariff adjustment brought the conference into line with the rate charged by Scaldis. He said he would be surprised to see meat freight rates fall any further.

Russell Watson, general manager of Cool Carriers in Australia, stressed that his company was still firmly committed to the trade.

He said Cool was "biding its time" until the trade regained some semblance of normality. He described the current low freight rates as "unsustainable" and said returns were well below the costs of all operators in the trade.

The company said the withdrawal of the *Blue Ice* was a temporary reduction in capacity and described the move as "a first step to restore balance and stability, which certainly is beneficial to both exporters and importers."

By David Worwood

17/10/94

Rates fall again in North America trade

SYDNEY: Conference carriers on Friday again reduced their freight rates to North America in what was described as a "matching" exercise.

The chairman of the Australia-United States Containerline Association and the Australian-Canada Containerline Association, Graham Lightfoot, said the latest development was purely a matching exercise, not an undercutting move.

"As we have said before, we will

match our competitors prices dollar for dollar," he said.

Mr Lightfoot said conventional carriers were offering volume discounts and the latest conference reductions will bring their freight rates into line.

- From Friday the meat rates are:
 - \$200 per tonne bulkpack -- minimum \$3300 per 20 foot container (16.5 tonnes);
 - \$240 per tonne catchweight -- minimum \$3360 per 20 foot container

(14 tonnes).

These rates are effective to both coasts of North America (excluding Honolulu), Canada and Mexico (beef only).

The 700 carton capping remains in place with any additional cargo freighted at \$342 per tonne.

The above bulkpack and catchweight rates will also apply to shipments of cartoned beef to Mexico. These will be subject to the current

\$300 per TEU to Mexican ports of Manzanillo, Vera Cruz and Lazaro Cardenas.

The managing director of Cool Carriers, Russell Watson, said his company had every intention of remaining in the trade despite the latest developments.

Mr Watson noted that a notice to industry regarding the present situation will be issued shortly.

Jerzy Farynski

18/10/94

Cool out until rate 'foolishness' ends

SYDNEY: Withdrawal of the Cool Carriers reefer vessel due to load in Townsville next week for North America is only a temporary measure because of lemming-like rate cutting by other lines, managing director Russell Watson said yesterday.

Cool could have another vessel on the coast within 10-12 days of the end of the "inappropriate economic foolishness" of other lines which would be losing money on every tonne of meat lifted, he said.

"The present extreme situation in the meat trade from Australia to the US and Canada has created a market scene totally unsustainable from an economical point of view," Cool said in a circular to meat exporters.

To reduce massive oversupply of reefer capacity Cool withdrew *Blue Ice V413* due

to start loading in Townsville on 25 October.

"Our interest in and commitment to the trade remains unchanged — withdrawal of *Blue Ice* is done with the full confidence that our customers will not suffer as alternative low freight options are available," Mr Watson said.

"We hope to soon have the inducement to resume the regular service we started earlier this year and shall revert with a schedule at an appropriate time when volumes and other trade factors make sense."

Meat volumes were particularly low because of high domestic production in the United States.

Container lines ANZDL, Blue Star and Columbus have made several cuts to their meat freight rates following the entry of Scaldis into the trade with reefer ships.

John Spiers

26/10/94

Rates on meat stable for now

SYDNEY: No major movements in freight rates for meat to North America are expected at least until the end of the year or possibly in early 1995.

Senior industry sources agreed that last week's decision by Cool Carriers to withdraw from the trade, at least temporarily, has eased pressure on freight rates.

The executive director of the Australian Meat Council, Richard Crouch, said yesterday shippers were no longer moving frantically from line to line in search of a better rate.

In fact, Mr Crouch said the remaining breakbulk carrier, Scaldis, is now charging about \$20 per tonne more than the container carriers.

This, however, has not prevented Scaldis from receiving generous booking levels which, he said, is a sign of stability.

Mr Crouch said he did not expect any movement in the level of rates at least until the end of the year.

The chairman of the Australia-United States Containerline Association, Graham Lightfoot, also said that "at the moment" there is no movement in the rates and none was anticipated in the immediate future.

The managing director of Scaldis, Bror Bjurstrom, said he did not expect any move until the new year.

Scaldis has scheduled three sailings for November.

These will be serviced by the *Nova Scotia* calling on Townsville on 1 November followed by Port Alma, Brisbane and Newcastle.

She will be followed by the *Osaka Bay* due at the same ports about 10 days later and *Neerlandic* at the end of the month.



Richard Crouch: No more frantic searching.

Scaldis has also scheduled one sailing for December with the identity of that vessel to be announced.

The first vessel in 1995 is expected to load during the second week in February and planned frequency after that will be between two to three weeks. Jerzy Farynski

7/
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94/

Conference lines signal plans to restore rates

By Leigh Smith

CONFERENCE lines operating in the Australia to North America trade lane have signalled their intention to restore freight rates for meat cargoes in 1995.

In a letter to the Australian Meat Council (AMC) last week, the Australia-US Containerline Association (AUSCLA) pointed out that recent fierce competition between carriers had left rates at an unsustainable level.

The AUSCLA members — ANZDL, Blue Star and Columbus — said they were prepared to honour the current rate structure until it expires at the end of December. But they will be looking to introduce higher rates from January 1 next year. Any new rates for meat exports to North America will not exceed the levels agreed with the AMC for 1993, the letter said.

A battle for market share between the container carriers in AUSCLA, and conventional reefer ship operators Scaldis and Cool Carriers, dragged meat rates down to their lowest level for around 30 years.

AUSCLA is charging \$200 a tonne bulkpack and \$240 a catchweight for meat cargoes to both east and west coast US, Canada and Mexico. Following the final rate reduction by the conference, unveiled on October 15, Cool Carriers suspended its service to the US east coast until further notice.

"If the lines feel confident that they can raise their rates now that Cool Carriers has moved off the berth, that's a decision they must take," commented AMC executive director Richard Crouch.

10/11/94

North America meat rates on move again

By JERZY FARYNSKI,
Sydney

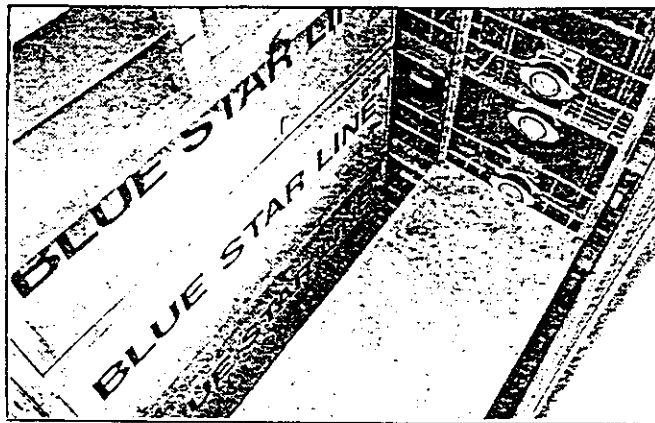
FOLLOWING the "temporary" departure of two shipping lines from Australia, Cool Carriers and South Pacific InterLine, meat carriers in the North American trade, are set to raise their freight rates.

Intense competition in the highly overtonnaged trade has kept the rates at unsustainable levels during recent months.

Both, Cool Carriers and SPIL, the latter only a minor player in this trade, have given falling meat rates as reasons for pulling out of Australia.

The current rate levels will, however, come to an end in a matter of weeks with the conference carriers, members of the Australia-United States Container Line Association and the Australia-Canada Container Line Association, expected to lead the way.

The three lines making up those associations, Australia-



Thaw: North American trade lines are to heat up rates.

lia-New Zealand Direct Line, Blue Star Line as well as Columbus Line, have given notice to meat exporters that they are reviewing the level of their rates — and this time the rates will be going up, not down.

This was confirmed in a letter sent last week by the three lines to the Australian Meat Council.

"The various rates in recent times have been filed for a pe-

riod ending 31 December, 1994," the letter — signed by Andrea Bolch (ANZDL), Graham Lightfoot (Blue Star Line) and Achim Drescher (Columbus Line) — said.

"You will understand that the present rate levels are not sustainable in the long term and we are therefore keen to return to economical rate levels as soon as possible.

"Our present filing of rates

to 31 December, 1994, is a commitment which we are prepared to honor, but we would wish to advise you that we will be looking at rate restoration and will inform you of the freight levels applicable from 1 January, 1995, which will, of course, not exceed the rates negotiated with the AMC in 1993.

"We will advise you as soon as possible of the new rate levels."

The managing director of Scaldis Australia, Bror Bjurstrom, said yesterday his company would examine the new conference rates before deciding on its course of action.

Mr Bjurstrom agreed with the conference carriers, however, that the current levels of freight rates are unsustainable.

Scaldis, a break-bulk carrier, has a vessel on the coast at present with a second vessel due later this month.

Mr Bjurstrom described the liftings for both vessels as "reasonable".

Conference raises meat freight rates

5/12/94

By Clare Longley

MEAT exporters to North America last week received the news they had been expecting for some time — conference freight rates will rise in January.

Australia-US Container Line Association (AUSCLA) members, Blue Star, Columbus and ANZDL have increased rates to North America from \$200 a tonne bulkpack and \$240 a tonne catchweight to \$335 a tonne and \$350 a tonne respectively from January 1, 1995.

Minimum rates stand at \$5,527 a container and \$4,900 a container for bulkpack and catchweight cargoes which is still less than the equivalent \$6,230 per teu and \$5,565 per teu this time last year.

David Field, Blue Star

trade director described the announcement as a rate restoration rather than a rate increase and said the conference was determined to remain competitive and commercially responsible.

"We are the backbone of the Australian meat export industry running 19 scheduled vessels to North America from Australia.

"The vast majority of exporters thought rates would return to their previous levels and they have reacted relatively positively to our changes," he said.

Australian Meat Council executive director, Richard

Crouch said the rate rise was not unexpected but it was hard enough doing business without such a sudden steep freight increase.

Independent reefer operator, Scaldis will not decide its 1995 rates, due to commence on February 1, until mid January.

Managing director, Bror Bjorstrom told LLAW the AUSCLA announcement amounted to a return to rate sustainability.

Cool Carriers, which withdrew from the Australia-North America trade in mid October following repeated rate slashing by the conference and

Scaldis, said it had recently renewed its office lease in Brisbane and would play a role in the market in 1995.

● Trade in Australian beef to Japan remained lacklustre last week with many traders awaiting an announcement from the Japanese Ministry of Health and Welfare on the extent of beef chemical contamination.

But the Australia Meat and Livestock Corporation said on Friday it expected Japanese interest to rebound in mid December as buyers look to fill needs for the end of year peak period.

Mr Crouch it was now up to the individual sellers to restore confidence in the key Japanese and Korean markets and recreate their strong relationships with buyers.

Meat rates set to jump

SYDNEY: Conference lines in the Australia - North America trade have announced a partial rate restoration which will significantly increase the freight rates for meat exports.

Although the increases will be significant compared to the currently extremely low levels, they will nevertheless be lower than those negotiated with the Australian Meat Council in 1993.

In terms of the rate restoration program, rates to North America of \$200 bulkpack and \$240 catchweight will increase to \$335 and \$350 respectively with effect from 1 January; the lines making up the Australia - United States Container Line Association and the Australia - Canada Container Line Association,

Meat rates set to jump

Continued page 3

The lines are: the Australia New Zealand Direct Line, Blue Star Line (Aust) Pty Ltd and Columbus Line.

The west coast United States and Canada rate for bulkpack is currently \$200 and will be going up to \$335 (minimum \$5,527); catchweight rising from \$240 to \$350 (minimum \$4,900.)

The same rates will apply to the east coast United States and Canada as well as Mexico.

Honolulu bulkpack and catchweight will remain unchanged, as will rates on commodities other than beef.

Mexican rates will remain

subject to the current US\$300 per teu additional to Mexican ports of Manzanillo, Vera Cruz and Lazaro Cardenas.

A conference spokesman said that shippers will no doubt be happy that the rate restoration program is only a partial one and the level of rates will remain below those which were negotiated with the Australian Meat Council in 1993.

The lines intend to be competitive in 1995, but will be keeping an eye on the market, he added.

Bror Bjurstrom, the managing director of the independent breakbulk carrier, Scaldis, said the company's next

sailing is not due until next February and this left plenty of time for a response to the conference move which was only announced on Friday.

The executive director of the Australian Meat Council, Richard Crouch, said he understood the position of the shipping lines.

Nevertheless, Mr Crouch said it was a pity the hike will be as high as announced, particularly in view of all the other problems currently faced by the industry.

The rate restoration is now expected to see the return of Cool Carriers to the trade in the new year.

Jerzy Farynski

Lower freights for fruit, vegs to US

FREIGHT rates to North America have fallen again, this time for horticultural produce.

The chairman of the Australian Horticultural Exporters' Association, Peter Lovett, said from Melbourne yesterday that the rate for a 20ft reefer box has dropped from \$6600 to \$5600.

This was not unexpected in view of what has been happening in the North American trade with fierce competition raging between conference and non-conference carriers for the better part of last year.

The competition in the meat trade has been particularly intense, although rates

By JERZY FARYNSKI
Sydney

10/1/95

have risen since the beginning of this year.

The reduction in the rate for horticultural produce was part of rate negotiations with conference and independent shipowners which have resulted in small increases in other areas.

These increases, while varying from region to region, are of no more than a few percentage points.

Mr Lovett said one of the major outcomes of these negotiations was the adoption of one rate for four types of

produce: apples, citrus, grapes and pears.

Not only will there be a single rate, but it will apply for the same period of time, starting from 1 January and running until 31 December, 1995.

Previously the rates for various types of produce started and ended at different times, leading to unnecessary confusion.

Mr Lovett said he expected the adoption of a single rate and timing to flow-on to other exports.

In 1995 the association is expected to ship between 7000 and 8000 teus with conference members and at least 2,000 teus with independent carriers.

NEWS

20/2/98

AUSCLA meat rate cut may lead to new war

SYDNEY: Member lines of the Australia-United States Container Line Association have reduced their meat freight rates to ensure that they remain competitive with independent carriers.

The chairman of AUSCLA and managing director of Blue Star Line (Aust) Pty Ltd, Graham Lightfoot, told DCN on Friday that the adjustment was a "matching exercise".

Mr Lightfoot has frequently stated that the conference will not only match but even better non-conference rates of-

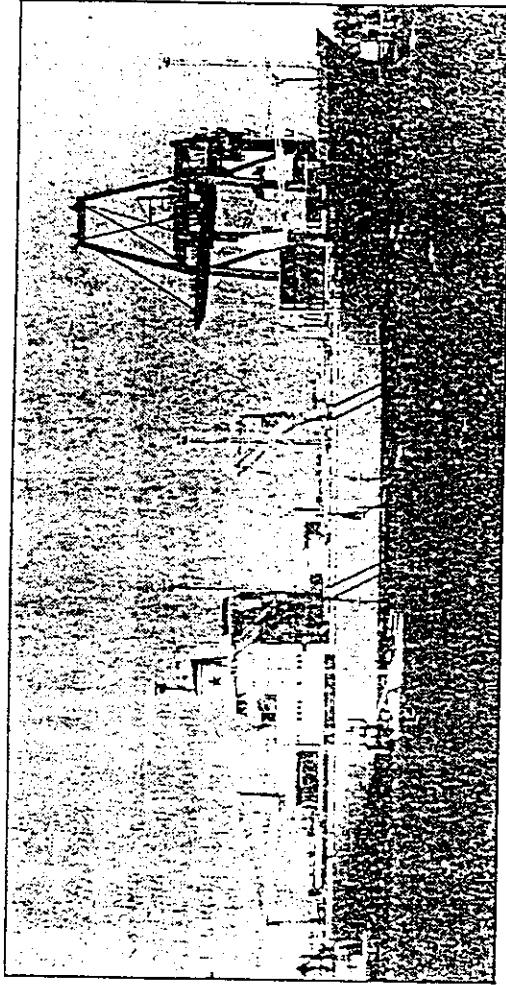
ferred by Cool Carriers and Scaldis.

In this latest move the conference has reduced its rates to.

- Bulkpack — \$329 per tonne, minimum \$5429 per 20 ft container (16.5 tonnes). The 700 carton capping remains in place with any additional cargo to be freighted at \$342 per tonne.

- Catchweight — \$344 per tonne, minimum \$4816 per 20 ft container (14 tonnes).

These rates apply to both



Battle lines: More moves are expected in meat freight rates.

coasts of the United States as well as Canada, Mexico and Hawaii.

The rates for Mexico remain subject to the current \$300 per TEU additional to the Mexican ports of Manza-

nillo, Vera Cruz and Lorenzo Cardenas.

These rates are almost identical to those being offered by the independent breakbulk carriers.

The possibility of a re-

newed freight rate war in this trade, which had a profound effect on the industry last year, cannot be ruled out in the light of the latest developments.

Jerzy Farynski

Cool, Scaldis await US approval of agreement

27-3-85

THE two breakbulk carriers in the meat trade between Australia and North America, Cool Carriers Pty Ltd and Scaldis Australia Pty Ltd, are expected to operate under a single name in the future.

The two lines, which have announced their intention to join forces, are now awaiting approval of their "talking agreement" by the Federal Maritime Commission of the United States.

A similar agreement exists between members of the Australia-United States Container Line Association (AUSCLA).

The Commission was notified of their intentions earlier this month and has 45 days in which to consider the matter, although it may make a decision earlier.

According to industry sources in Australia, it is likely that the two lines will be in a position to officially join forces just after Easter.

By JERZY FARYNSKI,
Sydney

The sources said the move is likely to result in the creation of a new identity, including a new name.

The parties, however, cannot start discussing the new arrangements until they receive approval from the Commission.

Although they cannot officially co-operate at this stage, it is understood they are accepting each other's cargoes, offering shippers greater flexibility.

AUSCLA chairman Graham Lightfoot, who is also managing director of Blue Star Line (Aust) Pty Ltd, said he expected co-operation between the two breakbulk carriers to result in a degree of rationalisation, including fewer vessels on the Australian coast.

As a result, Mr Lightfoot said he expected freight rates to stabilise, although the conference carriers, mindful of last year's freight rate war, are not taking any chances.

The managing directors of both Cool Carriers, Bror Bjurstrom, and Scaldis, Russell Watson, are overseas and could not be reached for comment.

Late in February member lines of the AUSCLA lowered their freight rates to match those of the breakbulk carriers.

These rates currently stand at:

■ Bulkpack — \$329 per tonne, minimum \$5429 per 20ft container (16.5 tonnes); and

■ Catchweight — \$344 per tonne, minimum \$4816 per 20ft container (14 tonnes).

They are expected to remain at these levels for some time.

There is not a great deal of cargo about at present, with one of the carriers blaming the revival of livestock exports for the apparent shortage.

3/7/58

5

C&S reveals freight rates for US meat shipments

By a Staff Reporter

C&S SHIPPING has released its first joint freight rates for conventional meat shipments to the US.

Bulkpack rates have remained at the same \$329/tonne level charged by former fierce rivals, Cool Carriers and Scaldis, who joined together earlier this month to form the C&S joint venture.

Australia-US Container Line Association (AUSCLA) members — Blue Star, Columbus and ANZDL — faced with weakening demand in the trade, earlier this year dropped their freight rates in line with those charged by the then rival conventional meat carriers.

Volumes

General manager for C&S Shipping, Bror Bjurstrom, said that export volumes in the Australia-US meat trade were still "very poor," mainly owing to the oversupply of beef in the US.

Last October rates plunged to a 30-year low of \$248 per tonne for bulkpack cargo as the conventional carriers and the container lines battled over market share.

C&S vessels will visit Townsville, Mackay, Port Alma, Brisbane and Newcastle in Australia, and sail to Philadelphia in the US.

Both container and pallet carriers stand to gain from natural expansion

Cool confident on reefer growth

25-3-96

THERE is room for both palletised carriers and container lines to target growth in reefer cargoes without "irrational" rate-setting behaviour upsetting the stability of the market, says one of the world's leading palletised reefer operators, Cool Carriers.

In Australasia recently for a brief visit, Cool Carriers' chairman Thor Jørgen Guttormsen (who is also president of parent Norwegian shipowner Leit Høegh), and Cool Carriers' president Mats Jansson, said the rival modes of carriage both stood to gain from a natural growth of refrigerated cargoes.

Firming reefer charter rates have been cited as making container carriers more competitive in their rivalry with palletised operators, and Mr Jansson concedes that if palletised reefer rates increase and container rates go down, there has to be a reaction.

But he says that does not necessarily mean substantial repercussions for the palletised operator.

"It is difficult for container carriers to be part of a seasonal operation. Container liner services are not an alternative for peak seasonal volumes," he said.

Cool Carriers believes these differences mean that both the palletised carriers and the container operators have a role to play.

COOL CARRIERS

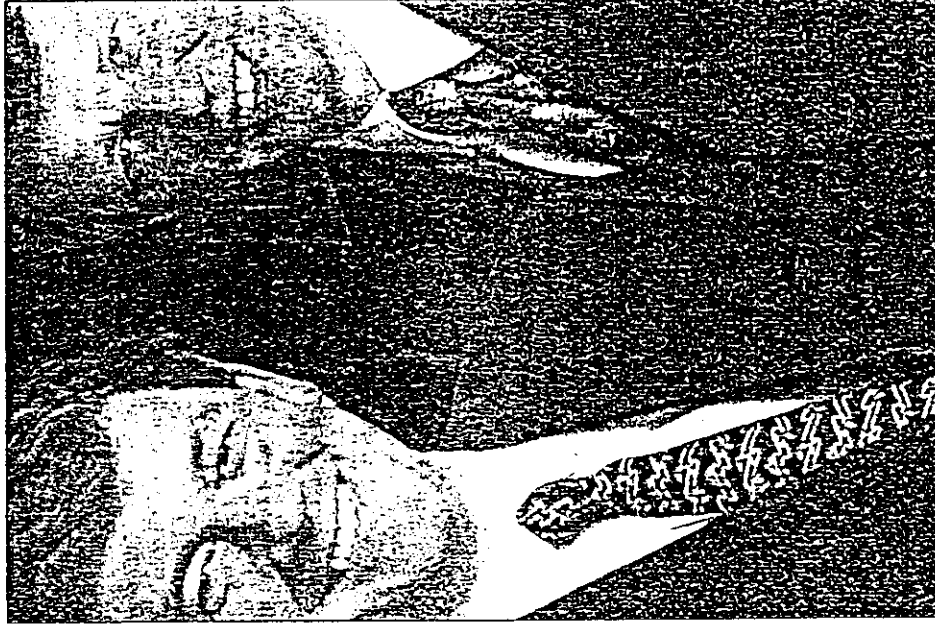
C&S reacted by turning its attention to combinations of meat and other reefer products, thereby proving that worth of the joint venture even when the prime meat target had largely vanished.

While the collapse of Australia meat cargoes has helped emphasise the flexibility of palletised reefer carriage, Cool Carriers believes Australian shippers still have some way to go before they realise the full benefit of reefer charters.

Although Australian logistics are improving there is still seen to be a plethora of small companies competing for export markets rather than co-operating. For example, while several companies combine as Riversun to export South Australian citrus to the US, the same companies act alone in the Canadian market.

The Cool Carriers view is that this is over-cautious, but the line is optimistic Australians will continue to expand joint marketing projects which exploit reefer potential.

On the wider view of the reefer market, Cool Carriers predict a continued firming of rates over the next few years.



Cool visitors: Mr Guttormsen, left, and Mr Jansson

and demand factors have impacted on reefer rates to create a collapse three years ago, followed by a strong rise last year. Twelve month time charter rates for 1995-96, rose

increases for seasonal cargoes were higher still.

Asked what trend lies in the future, Mr Jansson points to the fact that in 1995, four million cubic feet of reefer

to one million new space delivered. The net effect was a 1.4% reduction in the supply of reefer space worldwide.

On the demand side, more space has been required by shippers, particularly in the fruit trades. Cool Carriers is predicting an increase in demand of 2.5% each year until the end of the decade. The end result, says Jansson, is the natural conclusion of reduced supply and increased demand — higher prices.

"We see market rates continuing to increase for 1996, 1997, and 1998, but not as rapidly as recently. This has to be put into perspective by recalling that in 1993, some seasonal rates fell by more than 40%. We are therefore not yet back to 1992 levels.

"Other factors also have to be considered. Bunker costs for a significant content of charter rates now, and the tonnage that is available is more modern and efficient than the tonnage available a few years ago."

Despite the recent rise, Cool Carriers does not see any impending threat of price sensitive cargoes not moving because they cannot bear higher freight rates.

Says Mr Guttormsen: "We know of no cargo which will not be able to move under the current rates. We do not see over the next few years that rates will be so high they will

30/4/86

Conference considers discounts

SYDNEY: Conference lines are considering the move by the breakbulk operator in the North American meat export trade, C&S Shipping Australia, to discount its freight rates.

The chairman of the Australia - United States Container Line Association (AUSCLA), Graham Lightfoot, said the move, announced on Friday, was being closely looked at.

While the conference lines had made no decision yet on whether they would match the volume discounts offered by C&S Australia, Mr Lightfoot, who is also managing director of Blue Star Line (Aust) Pty Ltd, said they intended to remain the leaders in the trade.

Referring to the freight rate wars of the past on this route, Mr Lightfoot said conference lines had every intention of remaining the pacesetters in the trade.

C&S Shipping Australia, the managing agents for Cool Carriers AB and the Seatrade Group NV, announced their latest sailings and freight rates on Friday.

While the rates are identical to those offered by the conference carriers, the breakbulk operator is offering volume discounts on the first two voyages of its season.

These range from four per cent for shipments of between one and 500 metric tonnes to as much as 15 per cent on consignments of 2500 metric tonnes.

Australia/United States
Discussion Agreement

Original
Page No. 1

AUSTRALIA/UNITED STATES DISCUSSION AGREEMENT

1 -- NAME OF THE AGREEMENT

The full name of this Agreement is the Australia/United States Discussion Agreement.

2 -- PURPOSE OF THE AGREEMENT

The purpose of this Agreement is to promote service, stability and efficiency in the outwards liner cargo shipping trade from Australia to the United States ("the trade") by:

(a) authorizing the parties to discuss and exchange information with regard to matters of mutual interest and concern in the trade, with a view, inter alia, to reaching a non-binding consensus upon rates, rules, terms and conditions of common carrier service in the trade;

(b) further authorizing the parties to give effect to any consensus arrived at under paragraph (a); and

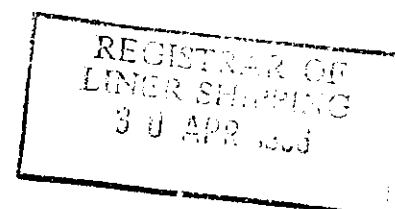
(c) authorizing the parties to agree upon a common position with respect to the matters referred to in paragraph (a) to present to various statutory corporations, boards and shipper bodies in connection with the negotiation of minimum levels of service, the negotiation and award of carrier designations to carry cargoes in the trade, and related matters.

3 -- PARTIES TO THE AGREEMENT

The names and addresses of the parties to this Agreement are set out in Appendix A.

4 -- GEOGRAPHICAL SCOPE OF THE AGREEMENT

This Agreement covers the trade from ports and points in Australia, on the one hand, to ports and points in the United States (including Alaska, Hawaii, Puerto Rico and the U.S. Virgin Islands), on the other hand.



5 -- OVERVIEW OF AGREEMENT AUTHORITY

5.1 The parties are authorized, but not required, to meet, to exchange information and data, to consider and discuss and to reach consensus upon the following matters:

(a) the rates, charges (including any demurrage, detention and other charges relating to the receiving, handling, storage and delivery of cargo), classifications, terms and conditions applicable to the transportation of cargo in the Trade, service contract rates, charges, terms and conditions, and any rules and regulations applicable to those rates, charges, classifications, terms and conditions;

(b) Cargo movements, seasonability and other fluctuations of traffic flows and related data bearing on the level and frequency of liner services, including, without limitation, services offered by non-parties, required by shippers both in Australia and the United States;

(c) Practices in connection with the receipt, carriage, handling and delivery of cargo, including cargo classifications and cargo space accommodations, the operation by the parties and non-parties of vessels, containers, equipment and facilities in the trade, and the centralization of cargo at Australian outports and transshipment of same by feeder vessel, rail or motor carrier, and the parties will abide by the provisions of the Trade Practices Act 1974 (Cth) in reaching any such consensus;

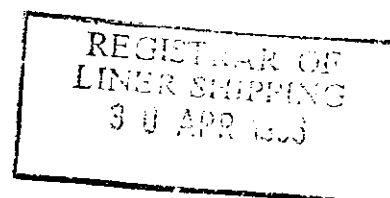
(d) Political and economic policies affecting the shipment of cargo in the trade; port development, and commercial and governmental practices affecting the carriage of cargo in the trade; and

(e) any other matter which is necessary to give effect to this Agreement, and which is in conformity with the applicable laws.

5.2 The parties are further authorized;

(a) to exercise the authority under Article 5.1 in connection with the presentation (jointly or separately) of a common position to any Australian statutory corporation, board or shipper group concerning such matters as the negotiation, award, implementation and designation of carriers to carry cargoes in the trade; and

(b) to meet with designated shipper bodies and to negotiate upon minimum levels of shipping services, including frequency of sailings, cargo carrying capacity and ports of call.



5.3 The parties may adhere and give effect to any consensus reached under the authority of Article 5.1, but are not required by this Agreement, or by anything done pursuant to this Agreement, to give effect to any such consensus; and no common tariff or service contract shall be published under this Agreement.

5.4 The parties, or any of them, may agree upon any routine administrative matter relating to the operation or implementation of this Agreement.

6 -- OFFICIALS OF AGREEMENT AND DELEGATION OF AUTHORITY

6.1 The parties may select an Agreement Chairman, who (or whose nominated representative) shall have the following functions:

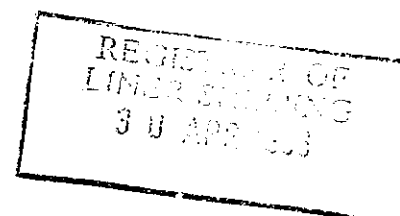
- (a) to preside at meetings of the membership;
- (b) to file minutes and other documents as may be required by the rules of the Federal Maritime Commission;
- (c) to apply on behalf of the Members under the Trade Practices Act 1974 (Cth) for the provisional and final registration of the Agreement and of any amendment or associated agreement;
- (d) to give notice of any change in negotiable shipping arrangement or of any other affecting event, as may be required under the Trade Practices Act 1974 (Cth).

6.2 The parties shall jointly nominate a representative authorized to sign on behalf of each party and file this Agreement and any amendments thereto with the Federal Maritime Commission and the National Transportation Agency, which representative may delegate this authority to counsel.

6.3 The parties may also employ administrative personnel, attorneys and other persons to perform services in connection with this Agreement, and otherwise provide for administrative and housekeeping matters.

7 -- MEMBERSHIP, WITHDRAWAL, READMISSION AND EXPULSION

7.1 Any vessel operating common carrier by water that regularly operates liner vessels in transportation services in the trade may become a party to this Agreement by signing the Agreement or a counterpart copy thereof, and upon filing, as required by any applicable law, a modification hereof adding such carrier as a new party to this Agreement.



7.2 A party may only be expelled from this Agreement for abandonment of service, or for breach of any obligation of that party under this Agreement, and only in accordance with the following procedure:

(a) A detailed statement setting forth the reasons for the proposed expulsion shall be furnished by the complaining party, and a copy of that statement submitted to the Federal Maritime Commission;

(b) The offending party shall have the right to make a statement and to tender documents in its defense at a meeting called to consider the issue;

(c) Expulsion of the offending party requires a two-thirds majority of the other parties;

(d) If the offending party submits the matter to arbitration under Article 14 within 14 days of that meeting, the decision to expel that party is suspended pending the decision of the arbitrator.

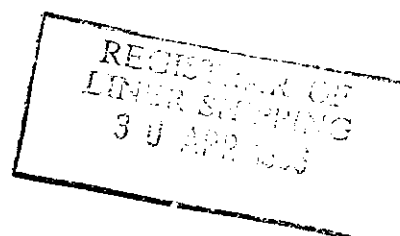
7.3 A party may withdraw from this Agreement at any time upon 48 hours written notice to the other parties, and upon providing a copy of that notice to the Federal Maritime Commission. Withdrawal does not affect any existing obligation of that party under Article 12 or 13.

8 -- VOTING

8.1 This Agreement may be amended or terminated upon the affirmative vote of three-quarters of the parties at a meeting called for that purpose, provided that any party not present at that meeting has been given 48 hours notice of the proposed amendment or termination.

8.2 Except as provided in Articles 7.2 and 8.1, any consensus under this Agreement shall be adopted as far as possible by general agreement without any vote being taken, but if no agreement can be achieved, a consensus may be adopted by a majority vote of the parties.

8.3 Unless a party voting against a consensus under Article 8.2 notifies the other parties, directly or through the Agreement Chairman, to the contrary, it will be assumed that party does not adhere to the consensus.



8.4 A party which adheres to a consensus for the purposes of Articles 8.2 or 8.3 but which decides, pursuant to Articles 2 and 5.3, no longer to adhere or give effect to that decision shall use its best efforts promptly to notify the other parties, directly or through the Agreement Chairman, of its intention until further notice to discontinue that adherence.

9 -- DURATION AND TERMINATION OF AGREEMENT

This Agreement enters into force on the first day it may be lawfully implemented under each of the applicable laws, and shall continue in effect indefinitely unless terminated under Clause 8.1.

10 -- CONFIDENTIALITY

Except as may be required under the applicable laws or as otherwise agreed between the parties, no party shall disclose to any person, except its own representatives and its own or this Agreement's attorneys, the view or position of any party on any matter considered under this Agreement.

11 -- RESERVATION OF RIGHTS: INDEPENDENT ACTION

Nothing in this Agreement is to be construed:

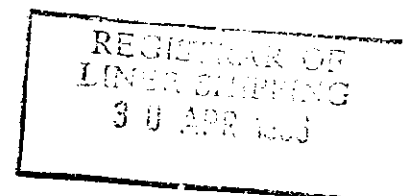
(a) as obligating any party to exchange information, to participate in any activity or meeting, to be or not be a party to any other agreement, or to adhere to any position, without its consent;

(b) as requiring adherence by any party for any period of time to any consensus reached under Articles 5.3 and 8.2; or

(c) as limiting the right of any party to continue or alter any tariff it publishes or to which it otherwise adheres, any service it provides, or any commercial practice in which it may engage.

12 -- EXPENSES

Each party will bear the expenses of its own representatives in connection with this Agreement. All other expenses incurred in the carrying out of this Agreement, including any fees or costs of consultants or other service, will be apportioned as the parties from time to time agree, and in default of agreement in equal shares.



13 -- ARBITRATION

13.1 Subject to Article 13.5, a party to this Agreement may refer any question as to the meaning or effect of this Agreement to arbitration by a sole arbitrator in accordance with and subject to this Article and (to the extent that this Article makes no provision) to the UNCITRAL Arbitration Rules. The arbitrator's decision shall be final and is not subject to appeal.

13.2 In determining any such dispute the arbitrator shall apply the laws of New South Wales.

13.3 The appointing and administering body shall be the Australian Chamber of Shipping. The language of the arbitration shall be English and the place of arbitration shall be Sydney in the State of New South Wales.

13.4 The following rules apply to the arbitration:

(a) Except by agreement of the parties to the arbitration there will be no prehearing discovery.

(b) The arbitrator shall decide the matter only on the basis of evidence submitted to him, which evidence shall be supplied to the other parties to the arbitration, who shall be given the opportunity to submit evidence in rebuttal, explanation or mitigation, and to cross-examine any witness.

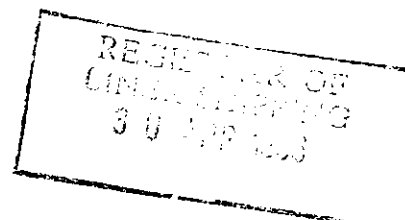
(c) The cost of the arbitration shall be borne equally by the parties to the dispute, and each party shall be liable to pay its own expenses of the arbitration.

13.5 Article 13.1 does not apply:

(a) If the parties to the dispute or difference agree in writing that it is to be resolved by some other means, and

(b) (where the agreed means involve arbitration or other proceedings outside Australia) if the Australian Minister administering the Trade Practices Act 1974 (Cth) also agrees in writing.

13.6 This Article excludes any right of appeal that a party would otherwise have under Part V of the Commercial Arbitration Act 1984 (NSW), to the full extent permitted by that Act.



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13.7 This Article does not affect the jurisdiction of the Federal Maritime Commission under the U.S. Shipping Act of 1984.

14 -- MISCELLANEOUS

In this Agreement "applicable law" means the U.S. Shipping Act 1984, and the Australian Trade Practices Act 1974 (Cth). This Agreement shall be binding upon and enure to the benefit of only the parties hereto.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of March 14, 1990.

HAMBURG-SUDAMERIKANISCHE
DAMPFSCHIFFFAHRTS-)
GESELLSCHAFT EGGERT & AMSINCK
(Columbus Line)

By COLUMBUS LINE, INC., U.S. Agent

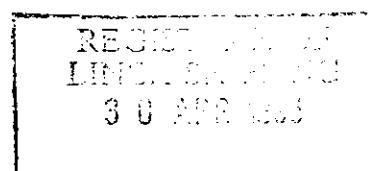
By _____

BLUE STAR (NORTH AMERICA) LIMITED

By _____

AUSTRALIA-NEW ZEALAND
DIRECT LINE

By _____



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Page No. 8

NEDLLOYD LIJNEN B.V.
(Nedlloyd Lines)

By _____

Seatrade Group N.V.

By _____

Cool Carriers AB

By _____

RECEIVED
LINDA B. JONES
30 APR 1988

Australia/United States
Discussion Agreement

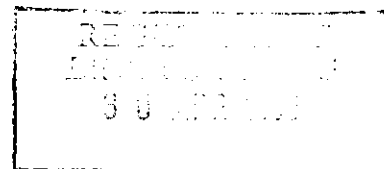
Appendix A
3rd Revised

APPENDIX A

Parties To The Agreement

The parties to the Australia/United States Discussion Agreement are as follows:

1. Hamburg-Sudamerikanische Dampfschiffahrts-
Gesellschaft Eggert & Amsinck (Columbus Line)
Ost-West Strasse 59
2000 Hamburg 11, Federal Republic of Germany
2. Blue Start (North America Limited)
Albion House
20 Queen Elizabeth Street
London SE1 2LS England
3. Australia-New Zealand Direct Line, a coordinated
service pursuant to FMC Agreement No. 207-011144
6621 East Pacific Coast Highway, 2d Floor
Long Beach, CA 90803, U.S.A.
4. Nedlloyd Lijnen B.V.
(Nedlloyd Lines)
P.O. Box 240
3000 DH
Rotterdam, Netherlands
5. Seatrade Group N.V.
Kaya Slamboyan
11-7 Willemstad, P.O. Box 4918
CURACAO, Netherlands Antilles
6. Cool Carriers AB
Berga Backe 2
S - 18285
DAMDERYD, Sweden



Australia/United States
Discussion Agreement

Appendix B
1st Revised

- b. Loading Ports (by direct service or indirect service at base port rates at no extra cost to shippers/exporters).

Melbourne
Sydney
Brisbane

- c. Discharge Ports (by direct service or indirect service at base port rates at no extra cost to shippers/exporters).

Charleston
Houston (To be served on an inducement basis).
Los Angeles/Long Beach
New Orleans (To be served on an inducement basis).
Norfolk
Philadelphia
San Francisco/Oakland
Seattle/Tacoma

- d. Other Ports

Ports other than those stipulated in 3b. above may be served directly or indirectly by the Lines. Additional freight or on-carrying charges may apply.

- e. At the time of negotiating Appendix B of this Minimum Level of Services document the overall range of ports serviced, whether direct or indirect, contained in the current terms and conditions of the Member Lines individual Tariffs form part of this Agreement.

Any change to tariff arrangements is subject to negotiation with the relevant Designated Shipper Body, currently the Australian Peak Shippers Association.

4. Amendment

This Appendix is subject to amendment by Member Lines after negotiation, if required, with the relevant Designated Shipper Body, currently the Australian Peak Shippers Association.

AUSTRALIA/UNITED STATES
DISCUSSION AGREEMENT

AUSTRALIAN PEAK SHIPPERS
ASSOCIATION

REGISTRAR OF
LINER SHIPPING
30 APR 1955