

# WESTERN AUSTRALIAN SHIPPERS' COUNCIL INCORPORATED

**WASC**

26 June 2000

190 HAY STREET  
EAST PERTH 6004  
PO BOX 6209  
EAST PERTH 6892  
WESTERN AUSTRALIA

Ms Margaret Arblaster  
General Manager, Transport and Prices Oversight Branch  
Regulatory Affairs Division  
Australian Competition & Consumer Commission  
GPO Box 520J  
MELBOURNE VIC 3001

TELEPHONE: (08) 9365 7637  
FACSIMILE: (08) 9481 0980

Fax No: (03) 9663 3699

Dear Ms Arblaster

## ACCC Part X investigation into the Australia/South East Asia Trade Facilitation Agreement

### Background

The Western Australian Shippers Council Incorporated is a secondary shipper body as specified under sub-section 10.03 (iii) (b) of the Trade Practices Act. The WASC is also a member of the Australian Peak Shippers Association (APSA).

The WASC received a number of complaints from members when the Trade Facilitation Group (TFG) was first formed.

In April 1999 the WASC on behalf of members approached the Chamber of Commerce & Industry of Western Australia (CCIWA) for support in raising awareness of the concerns of Western Australian shippers with the relevant authorities.

CCIWA subsequently made representation to the ACCC (letter attached) and also advised the Federal Minister for Transport of shippers concern with the TFG.

Whilst at that time the ACCC ruled that the formation of the TFG was legal under the rules of the Trade Practices Act, there was concern at the misleading advertising by the TFG which implied the rates set by the TFG were binding on ALL shippers.

### Current Issues

1. The WASC have received numerous reports of concern from Western Australian shippers regarding the rapid increase in shipping rates from Fremantle to South East Asia, predominantly Singapore. Instances of contracts lost and threats to continued business viability have been reported.

Most shippers have contracts in place with buyers for at least 12 months and the rapid increase in freight rates over a 4 month period, with little warning or negotiation from the TFG, has made it impossible for shippers to cover the new rates. Due to the lack of competition on the Fremantle/South East Asia route outside of the TFG has made it impossible for shippers to look to other shipping lines. Competition has in effect been eliminated, as all shipping lines now operating this route are members of the TFG.



Whilst it is recognised that freight rates have been at a low level prior to these increases, it should be noted that the shipping lines themselves drove rates down in their efforts to increase market share. This occurred at a time prior to the formation of the TFG when competition prevailed.

2. Shipping lines generally are adopting more and more the practice of introducing additional surcharges rather than provide shippers with the "all in freight rate " they prefer.

Surcharges are not fixed for any specific period and can be imposed at any time. Any such increases cannot be added onto shippers sales contracts which inevitably means the shipper has to absorb the additional cost.

Also shippers have no influence or access to agreements between the shipping lines and their contractors regarding surcharges and therefore cannot verify the charges nor influence them. If these surcharges are divorced from the freight rate and simply passed onto the shipper then there is no real incentive for the shipping lines to negotiate as strongly as they might otherwise do.

Shipping lines have applied or proposed additional charges for:

- Destination Terminal Handling
- \*Equipment Repositioning
- Documentation
- Peak Season Surcharges
- Currency Adjustment (CAF)
- Bunker Adjustment (BAF)

In the opinion of the WASC these charges should be part of the freight rate and as such subject to negotiation with individual shippers.

\*Given Western Australia's geographical position makes our shippers particularly vulnerable to inefficiencies of shipping lines and their inability to provide suitable equipment. Containers are viewed as part of the agreed freight rate and sufficient numbers should be supplied by the vessel operator to fully load the vessel.

3. Level of service has also suffered in recent times for Western Australian shippers. All too often vessels take on extra cargo at eastern state ports leaving insufficient space for booked cargo at Fremantle. On occasion vessels bypass Fremantle, particularly if the vessels captain has trimmed the ship in the East.

Cargo would arrive at the port to be turned away, even when the shipping lines had taken firm bookings and allocated containers. A recent move by shipping lines has been to refuse to take bookings on certain vessels until the very last moment. This lack of service by shipping lines causes considerable uncertainty and inefficiency for the shipper.

Due to the TFG alternative arrangements are generally not available to the Western Australian shipper.

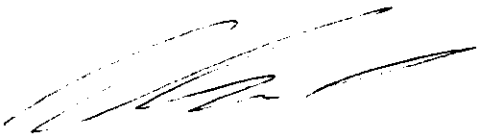
**Recommendation**

The WASC recommends that the TFG be deregistered as they have breached Part X legislation by eliminating competition in the Fremantle /South East Asian trade.

During the last 12 months Western Australian shippers have suffered uneconomic rate increases as well as inefficient service and equipment provision. We believe with the deregulation of the TFG an increase in competition would return and improve these issues.

Whilst this investigation is intended to focus on the Australia/South East Asia Trade Facilitation Agreement, shippers are also raising complaint on similar issues arising from the Australia/North East Asia Trade Facilitation Agreement.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Keith Seed', with a long horizontal flourish extending to the right.

Keith Seed  
Executive Officer