

From: Wally Futschik
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Subject: bulletin - ACCC will investigate spate of ocean freight increases from asia

[as below - reported in the local shipping paper](#)

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Importers slam carriers as ACCC probes east Asia rate hikes

The rapid burst of rate restorations this year in the booming southbound trade from east Asia this year has prompted an investigation by the Australian Competition and Consumer Commission.

The ACCC will investigate the 16 carriers in the Asia Australia Discussion Agreement, after a string of complaints about the pace and size of the increases from importers and forwarders.

Shippers say that after three rate increases this year, plus the start of peak season surcharges, they are now paying "top dollar" at the same time as shortage of space has seen service levels decline sharply.

A US\$250 per teu increase early this year from east Asia was followed by a massive US\$500 per teu increase in July, and a further US\$250 per teu on October 1. A peak season surcharge of US\$200 per teu was also imposed from August 1.

The ACCC claims that the increases amount to a 100% rise on mid-year market rates.

At the time of each increase, shipping lines have stressed that the rises were needed to repair years of sub-economic earnings and maintain services through the collapse of northbound volumes.

And they remain unrepentant now.

ANL chief executive and chairman of Shipping Australia John Lines said that some shippers expect quality service "but do not want to pay a commercial rate".

Rates are only rising from an unsustainable base, he said.

The ACCC interest was not unexpected, Mr Lines said. "The ACCC have a job to do, and we're happy to assist them."

He said that shipping lines were taking advantage of the strong southbound volumes, and warned that cargo was likely to be rolled at Asian loading ports right through to Chinese New Year.

But the president of the Importers Association of Australia, Zoran Kostadinoski of Scalzo Foods, slammed shipping lines for allowing the freight rate market to become so volatile.

"They should be more proactive at putting on more capacity during the seasonal rush, and spreading their rate increases over six-month intervals", he said. "But not increases out of nowhere."

He said that freight rates were not set by the shippers. "The rates are there because they undercut themselves, and the way that they do things."

Freight rate charges to smaller importers have risen from US\$650 four months ago to US\$1,400 now, including the peak season surcharge, Mr Kostadinoski said.

This added up to freight increases of 12 cents a kilo, for companies "which lose business over 1 cent a kilo".

"We are not against increases - but make life easier, more structured," he said. "They have got to manage their logistics better."

Mr Kostadinoski said that despite paying up to US\$700 more, cargo from China is still ending up stuck in relay ports. "You pay the price, but you cannot get containers. Service has gone backwards."

This will be the first time that the import trade has been investigated by the ACCC since the trade was brought under Part X of the Trade Practices Act in 2001. That followed the 1999 review of Part X by the Productivity Commission.

Mr Kostadinoski was sceptical about how much influence the complaints would have on rates.

Shipping lines also say that the importers association can only discuss contracts in Australia, and most contracts of carriage are done overseas, meaning there is not a lot of information available.

Importers also concede that they make themselves more competitive by having the exporter pay the freight.

The last ACCC investigation of liner shipping, which followed a similar rapid burst of increases, was on the southeast Asian export trade in 1999 and 2000. That investigation was eventually inconclusive, even though much of the trade data originated in Australia.

However, the ACCC investigation did see further increases in that trade shelved, only resuming at a much lower key.

The latest probe will start with an issues paper by the end of the year, with submissions from the players to follow.

