CB(1)881/00-01(06)

22nd. March 2001

Legco Panel of Economic Services.

Dear Sirs and Madams,

Our Associations would like to make the following submissions to your Panel regarding Mid-stream Operators' proposed $40/container direct charge to Shippers.

The Mid-stream operators (MSO) have contracts with Shipping Liners (Liners). The service they offer is moving the Shippers' containers between Mid-stream ports and Liners' ships parked in open sea. The Shippers pay a Container Handling Charge (THC) to Liners specifically for this service.

When MSO proposed a direct charge to the Shippers in addition to the fees they are receiving from Liners, claiming they have some additional new service, we submit that they are breaching the spirit of the contract they have signed with the Liners. In any business contract, it is impossible to list all the services which are included. If one chooses to be unreasonable, it is always possible to " invent " services, and claim that they are not included in signed contracts. In any case, should MSO think they have some "breakthrough services" which deserves increases, the correct party for them to approach is the Liners, who are their signed contracts' counter-part, and not the Shippers who have no contractual relationship with them.

The Liners, in a joint statement issued with the Shippers Council on 22nd. Feb 2001 already condemned the unilateral action of the MSO. Quoting from the statement." ....it is most regretful that the HKMSOA have taken a unilateral action to impose the surcharge. It goes without saying that this is procedurally erred and does not conform to the already established business practices. As our vendors, the MSO have no grounds on which to seek any form of compensation from our customers--- the Shippers." The MSO so far have not replied to this statement, and have been pursuing a unilateral course of seeking direct payment from Shippers without offering any valid reasons that this is justified.

Our Associations request the Legislative Council members to urge the MSO to use established business practices when they seek increases in fees, and to remind them that what they are trying to do is in breach of the spirit of the contract they have with the Liners.

Our Associations also have the following submission regarding Terminal Handling Charge. (THC)

Hong Kong's THC is the highest in Asia ($ 2855/ 40ft container, against Singapore's $ 1204, and Japan's $ 996 for North American Ports). The Liners' explanation is the Container Terminals' charge to Liners is the highest in Asia, and Liners are just passing on what is charged by the Terminals to them to the Shippers, and are not making a profit on this charge. It is known that Liners have actually added their own "administration and general expenses" (expenses) onto what they have paid the Terminals. Unofficially it is estimated that these expenses may constitute as high as 50% of the THC. Is it fair to include Liners' " expenses " into THC charge? Shouldn't these "expenses" be absorbed by the Liners' Freight Charge to the Shippers instead?

Our Associations request Legislative Council members to urge Liners to stick to their words that they are passing on the direct charges Terminals are charging them onto Shippers only, and would not add on any of their own "expenses " into the THC.

Yours Faithfully,

Alex Woo
Representative of the following Associations:
(Hong Kong Textiles and Garments Seven Associations)
Hong Kong Cotton Spinners Association.
Hong Kong Garment Manufacturers Association.
Federation of Hong Kong Garment Manufacturers.
The Hong Kong Association of Textile Bleachers, Dyers, Printers and Finishers.
The Federation of Hong Kong Cotton Weavers.
The Hong Kong Weaving Mills Association.
Hong Kong Cotton Goods made-up goods Manufacturers Association.

Kindly pass this submission and the Chinese version to the media.