

LETTERHEAD OF HONG KONG LINER SHIPPING ASSOCIATION

Fax/Email dated 11 December 2001

To: Mr. Alex Fong
Secretary, HK PMB
From: R.A. Giannetta

Subject: MID-STREAM FEE

Dear Mr. Fong,

We have received notice from the LegCo Secretariat inviting the HKLSA to participate in the ESB Panel discussion on 18/12/2001 regarding the Mid-Stream Fee. I have also seen your letter to Claus Hemmingsen dated 7/12/2001 asking for our written views.

Please note that at the moment we are facing some difficulties in finding a suitable representative from our Association to participate in this session. Mr. Poon will be away from HK until 21/12/2001 and I am at the moment scheduled to be away on that date as well. Similarly, Mr. Hemmingsen cannot confirm his availability, although he does expect to be in HK. I believe, therefore, that it might serve everyone's best interest for me to summarise the position of the HKLSA on this issue as follows.

- Conceptually, the HKLSA remains opposed to the any collection procedure which involves a commercial transaction between the mid-stream operator and the shipper, trucker or any other party other than the shipping line. In providing a service to the shippers (our customers), the carriers have sub-contracted a portion of the service relating to terminal operation to the mid-stream operators (our vendors) for which mid-stream operators are compensated via tariff and charge agreements with the carriers. It is, therefore, inappropriate that the mid-stream operators seek compensation from any other party.
- Accordingly, the HKLSA believes that any compensation for services performed by the mid-stream operator (including this fee) should be dealt through contractual negotiations between individual operators and their individual carrier customers.
- As the issue has progressed in a divergent manner from the above basic principle (i.e. there is now a tacit understanding between mid-stream operators and shippers for the settlement of this fee), the HKLSA have no further input/contribution which we can offer on this issue. For the sake of finding a workable solution that does not impede the transportation of goods in HK, the HKLSA will not forcefully object to an internal settlement between operators and shippers.

On the basis of the above stated position (added further by the difficulty we are facing in locating a suitable representative for the LegCo Panel), it is perhaps unnecessary that the HKLSA be

represented at this discussion. If you or the other parties in copy do not believe this is the case, we will, of course, respect your views and try our best to be properly represented.

Yours sincerely,

Roberto Giannetta
Secretary for HKLSA

cc: Mr. Willy Lin (HKSC)
Mr. James Shuen (HKMOA)
Mr. Eric Ip (HKCTOA)
Ms. Winnie Cheng (LegCo Secretary)