

**Letterhead of Federation of Hong Kong Industries**

17 December 2001

The Hon. James Tien  
Chairman  
Economic Services Panel  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Hong Kong

Dear James,

**Mid-Stream Service Surcharge**

The Federation wrote to you in March this year raising our concern over the mid-stream service surcharge. We are very disappointed that the mid-stream operators have turned a deaf ear to our repeated calls for a valid justification for the surcharge and started collecting the fees from shippers unilaterally from June at a rate of \$40 per laden container.

As you are very well aware, Hong Kong shippers are now paying the highest terminal handling charges (THCs) in the world. These THCs are supposed to cover all services rendered by terminal operators. There is actually no reason why shippers should pay the so called “mid-stream service surcharge”, by which no additional services are provided to those already covered by the THCs.

In fact, there does not exist any direct business relationship between shippers and mid-stream operators, whose clients are the shipping companies who engage them to handle cargoes between carriers and terminals. With the absence of any direct business relationship, the collection of any charges from shippers by mid-stream operators are totally out of line with the established business practices in Hong Kong. Besides, the mid-stream operators have never disclosed in any precise terms the service components of such a surcharge, thus calling in questions about the transparency of this charge.

Presently, those who refuse to pay the surcharge are treated unfairly by the mid-operators. Usually, they have to wait a few hours for their documents processed, while there is no such delay for those who pay the surcharge. Apparently, this “system” has created a highly undesirable situation where two classes of customers

have emerged - the surcharge payers and non-surcharge payers, with the former enjoying normal service while the processing of the latter group is deliberately held up. We are strongly against this practice of the mid-stream operators. We urge the mid-stream operators to stop the surcharge immediately and restore the first-come-first-served principle in handling cargo delivery.

We also believe that the Government should play a more active role in resolving this issue as the competitiveness of Hong Kong exporters is at stake. It is feared that if this dispute is allowed to linger on, Hong Kong's position as a world leading container port might suffer irreparable damage.

Yours sincerely,

Victor Lo  
Chairman

c.c. Secretary for Economic Services