



5 May 2004

Mr David Salisbury  
Director, Rail & Waterfront  
Transport & Prices Oversight Branch  
Regulatory Affairs Division  
Australian Competition and Consumer Commission  
GPO Box 520J  
Melbourne Vic 3001

Dear Mr Salisbury,

Asia-Australia Discussion Agreement  
Part X Investigation  
Comments on Position Paper

This is to comment on the ACCC's position paper for its Part X Investigation into the AADA for Australian southbound liner trades from North East Asia.

The Commission's paper clearly exhibits the frequent increases in shipping rates by members of this AADA. It also notes that there was no increase in the capacity of the AADA members to carry containers despite the significant boost in the demand for exports from that region.

The FBIA recognises that increased demand for shipping services might be expected to lead to an increase in shipping rates. What is particularly concerning is not so much that rates have increased, but that there have been frequent, sharp increases. We had thought that one of public benefits of arrangements such as this AADA was to provide stability and predictability in freight rates. This has not occurred for southbound liner trade from North East Asia.

An assessment of the overall impact of the AADA indicates that it is certainly providing benefits for the members (increased rates), but not for the users (sudden, steep price increases, without improved services). In our view, the AADA is not delivering the public benefits as claimed as justification for this type of arrangement.

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Comments on Position Paper for Part X  
investigation into AADA

We are also concerned that the situation is most unlikely to change. The AADA has given notice that it intends to continue with its “rate restoration” program. Rates are to be increased by \$US500/TEU on 1 July 2004 and then again by \$US250/TEU on 1 October 2004. As well, the AADA member lines intend to implement a peak season surcharge of \$US300/TEU “when the vessels of member lines reach a full loading situation”. There is no mention of increasing capacity.

In our view, the AADA has turned into a one-way bargain with the benefits going to its members, and we fail to see it delivering much in the way of compensating public benefits.

The FBIA supports the Commission’s findings and the proposed course of action.

Should you have any questions on our comments, please do not hesitate to contact us.

Yours sincerely,

A J Beaver  
Secretary