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ECONOMIC COMMISSION FOR LATIN AMERICA
Office for the Caribbean

NEGOTIATING MACHINERY FOR CARIBBEAN COUNTRIES

NOTE ON NEGOTIATIONS WITH OVERSEAS

SHIPPING INTERESTS

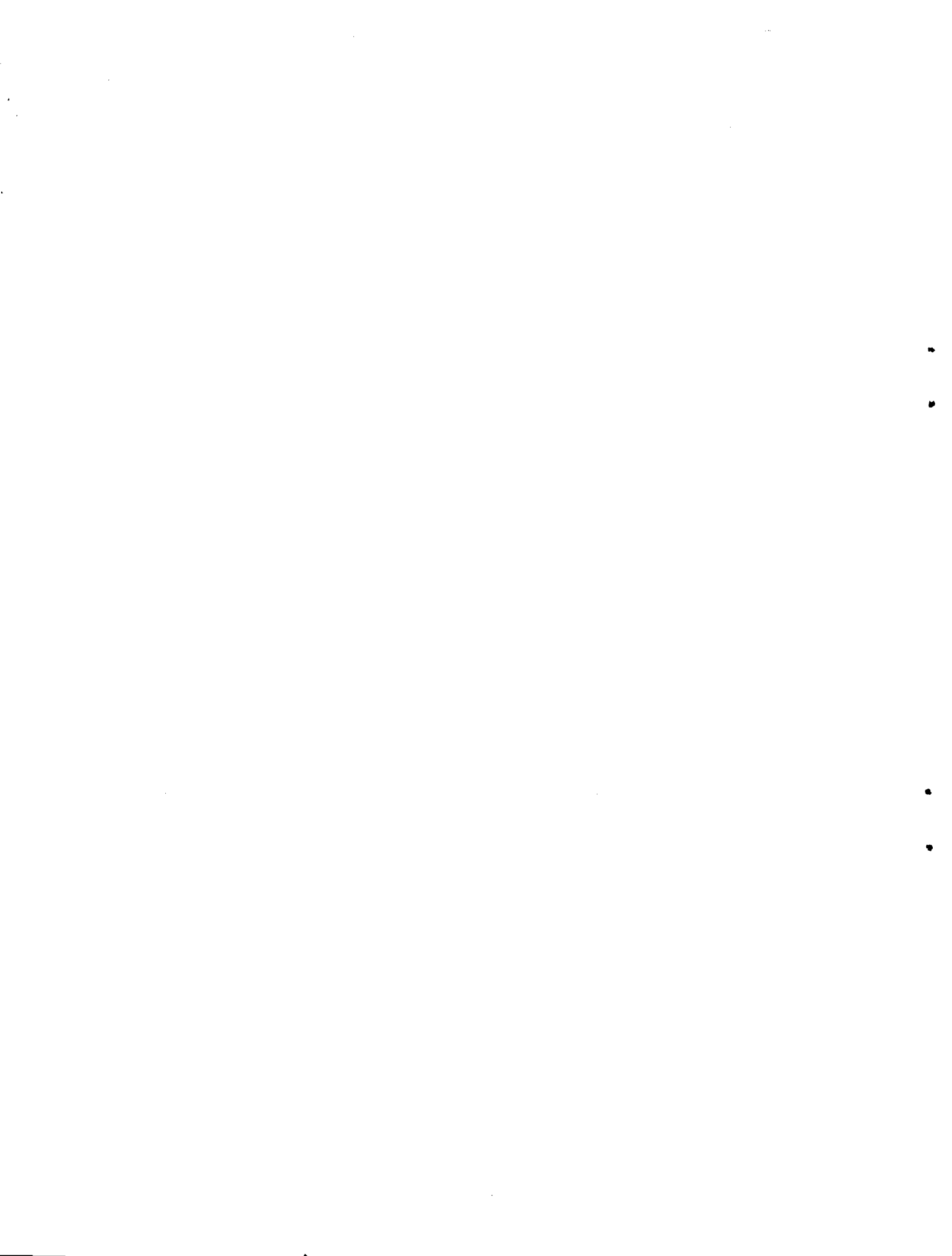
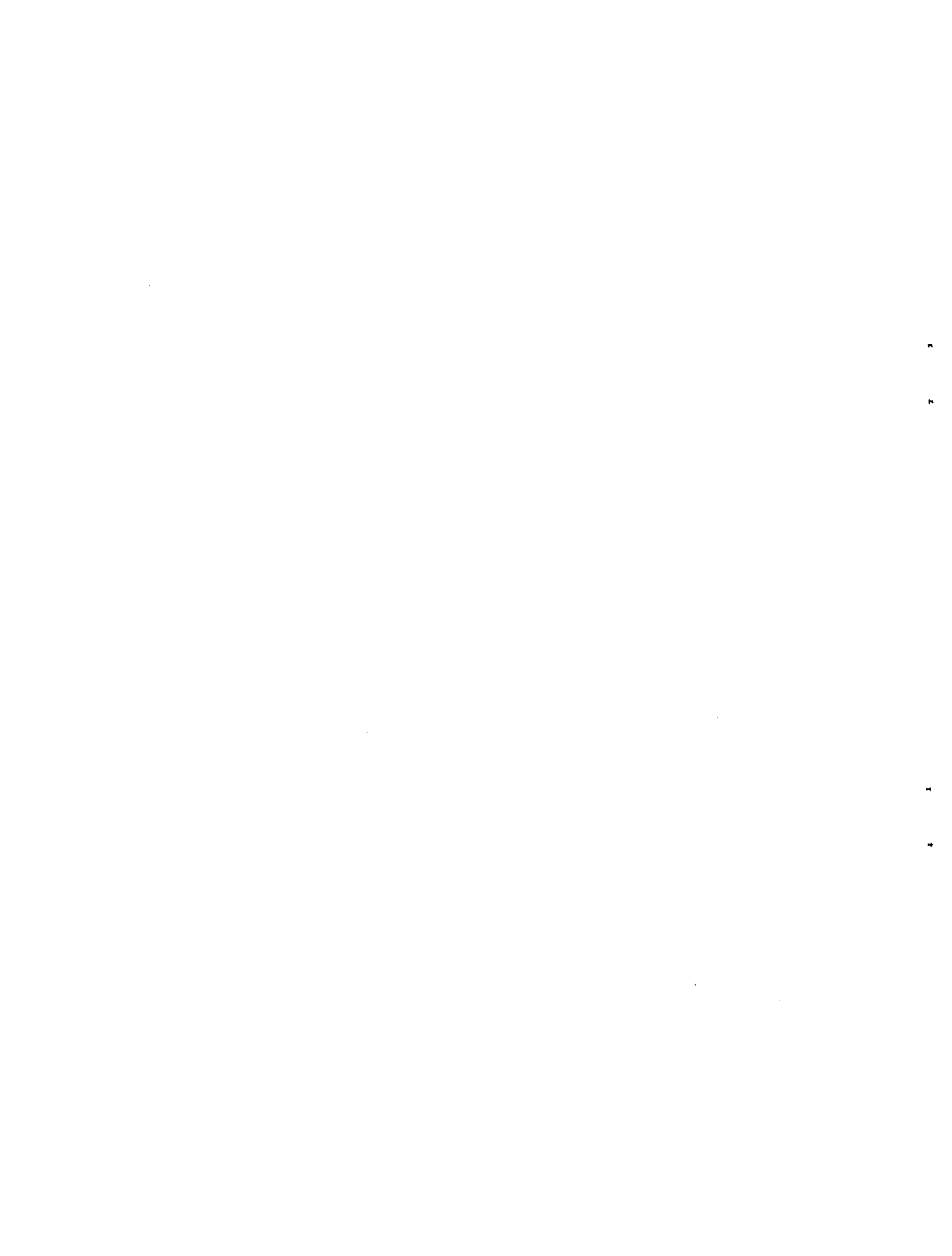


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NEGOTIATING MACHINERY FOR CARIBBEAN COUNTRIES

Note on Negotiations with Overseas Shipping Interests

Trans-ocean and inter-territorial shipping services are important factors in promoting economic development and co-operation in the Caribbean area; further, they are essential prerequisites to the success of current efforts to liberalize trade and intensify economic co-operation. It is therefore necessary to examine the situation at an early stage so that the main problems are identified and possible solutions found. This paper attempts to take a critical look at maritime transport serving Caribbean overseas trade with the object of bringing to the attention of area Governments likely approaches to the solution of immediate and longer term problems.

INTRODUCTION

2. Shipping enterprises which serve maritime trade are able to maintain and augment their profits only if the flow of cargo grows with the least possible interruptions. In the long term therefore, there is no basic conflict of interests between the national transport users or shippers on the one hand, and the shipowners (national or foreign) on the other. It is in the sphere of short term interests where the conflict between shippers and shipowners becomes acute because the current needs of carriers and transport users frequently differ. This conflict dates from the end of the 19th Century and is international in scope.

*Do not
entirely
agree
with
this
part*

STRUCTURE OF INTERNATIONAL CARGO SHIPPING SERVICES

Types of Carriers

3. The world shipping of cargo is divided into three main forms which usually differ in respect of types of vessels used and in contractual arrangements between shippers and shipowners. These are:

- i. Cargo Liners (including passenger/cargo liners), are characterised by more or less regular schedules, where the transport user hires part of the ship against a contract known as the Bill of Lading. Cargo liners generally operate as common carriers.

ii. Tramps, including bulk carriers, where the transport user hires the whole ship under a contract known as "voyage" - or "time Charter Party".

iii. Tankers, which are in fact bulk carriers of liquids.

The significant difference, between tramps and tankers ^{1/} and cargo-liners lies in the fact that the regular, scheduled, shipping is cartelised throughout the world in the so called "shipping conferences".

Freight Rates in Liner Trade

4. Freight rates in the cargo-liner trade are not formed on the basis of the mechanism of demand and supply as in the case of tramps. The main reason for this difference is that while the tramps operator offers his ship usually for the carriage of a single commodity between one, or, rarely, more ports of loading and discharge, the cargo-liner owner "is concerned with the carriage of hundreds of different commodities for different destinations at different rates all on the same voyage, with the added complication of the quantities of such commodities and their destinations varying from voyage to voyage". ^{2/}

5. The liner operator is interested in making an overall profit on the round voyage, or on a related series of voyages. The costs of carrying individual commodities are mainly unidentifiable, and the total costs of the voyage have to be spread over the cargo carried. Since liners are rarely laid up as in the case of tramps and tankers, the depression in liner shipping results from falling load factors, that is the proportion of carrying capacity which is in fact being used to that which is offered.

6. Liner freight rate levels are not subject to major fluctuations during booms or depressions, because they are determined for a relatively long period of time. During depressions a cargo liner operator suffers because the voyage costs, which are largely fixed costs, have to be allocated over less cargo, thus increasing costs per ton of cargo carried. *During booms too. Averaging process too.*

^{1/} Often referred to as an irregular form of shipping.

^{2/} Memorandum from Western European Shipowners, dated 2 December 1963. Chamber of Shipping of the United Kingdom, Annual Report 1963/64.

7. The determination of freight rates in liner shipping is based on four principles which are inter-dependent:

expand - in fact it is a mean relation - ship relating to many voyages. This is not a mean criterion.
This is not a greater classification - surely there are categories depending on bulk, weight, value etc.
ie approximating the monopoly price.

Firstly, the freight rate levels are set to cover the total costs of a voyage.

Secondly, freight rates currently charged for individual commodities were originally fixed a long time ago. The factors on which these historical rates might have been originally fixed often bear little relation to the present costs, quantities, values, etc. Freight rates are increased globally and the relationship between rates for individual commodities remains constant.

Thirdly, changes in commodity rates are seldom made on the basis of costs and more frequently according to what the traffic can bear, or rather a rate at which the traffic will move. This system of freight rate adjustments involves an element of cross-subsidization between commodities where the "stronger sister carries the weaker one".

Fourthly, there are freight rates fixed or altered by negotiations and by agreements between shipowners and their customers.

It is however, difficult to discuss the details of freight rate making in cargo liner trades without a clear understanding of the organizational structure of the industry which comprises the overwhelming majority of world liner shipping operators. This necessitates an examination of the operations of shipping conferences.

The Nature of Shipping Conferences

8. A "shipping conference" is an understanding reached between liner owners ^{1/} trading on the same shipping route, who have agreed to limit the area of competition among themselves. As a first step, conferences decide to charge freight rates or passenger fares for each class of traffic according to agreed tariffs. In this sense, conferences are not dissimilar to price fixing cartels. In addition to this primary aim of setting freight rates, it is usual for conferences to agree to regulate the frequency of sailing of member companies according to a predetermined pattern.

1/ Conferences are confined to dry-cargo and passenger liner services. The tramp market is exceedingly difficult to cartellise. This point is well made by exceptions, the most important of which is the Baltic and White Sea Conference of 1905 comprising tramp owners.

9. But this form of agreement does not exclude competition on a non-price basis. Thus, an individual shipping company may capture a larger share of the market and a higher load factor by providing more suitable and faster vessels, prompter claims settlements, and greater reliability than its competitors. When, however, a higher grade of conference organization is reached in the form of full pooling agreements under which profits and losses on the trade covered by the conference are shared between the member lines, competition will have ceased completely.

10. Members control the affairs of a conference and, as a rule, each shipping line ^{1/} has one vote irrespective of the tonnage under its control. However, large shipping companies carry much more weight within the conference discussions and decisions because, if a large member decides to withdraw following a majority vote unacceptable to him, the consequences for the conference are much more serious than if a small member makes such a decision. While new lines can be admitted on a vote of all existing members, full membership is usually offered to national shipping companies of countries within the area of conference operations. The votes of members determine the freight rates and fares, and these important powers which affect the trading position of the countries served are seldom subject to restrictions. *Note*

Note
11. In addition to the internal arrangements, each conference may have agreements with shippers, that is with its customers. Such agreements may have a dual form designed to secure the continued custom of the shipper and to prevent the entry of outside competition. The first is known as the "loyalty rebate" or rather the deferred rebate system. Under this system the shipper who has not employed a non-conference ship for 6 or 12 months receives a refund at the end of the period of a percentage of his freight payments. In most cases the deferred rebate system constitutes a more substantial tie than is desirable. The second and newer type of tie is the contract or the dual rate system. Under this system the shipper enters into a contract with the conference, under which he agrees to send all his shipment by the conference lines.

12. In summary therefore it can be said that there are two main objectives common to all shipping conferences. Firstly, they are generally regarded as

^{1/} Shipping conferences comprise passenger and cargo trades.
For this analysis only the latter is being taken into account.

an indispensable tool enabling shipowners to provide shippers with regular and efficient services at stable rates. Secondly, conferences limit the competition and by preventing over-capacity of tonnage on shipping routes, secure the very considerable assets and investments necessary for the successful operation of a shipping line.

Make sure
of assets

13. The problem of economy and efficiency of shipping services governed by conference arrangements is a major one. The need to secure the assets tends to slow down the technological, and in consequence, the economic progress of the world liner shipping. From this point of view it has a bearing on the level of freight rates. Therefore, the limitation of competition within the conferences and the setting of freight rate levels on the basis of costs incurred by conventional and frequently outdated ships is stifling incentive to modernize.

CONTAINERIZATION

14. The position of the "traditional" shipping conferences will be greatly affected with the introduction of cellular container ships. ^{1/} The scale of the capital investment required to equip and operate container services invites mergers of companies into consortia leading to monopoly control. There is hardly any trade in the world (including the North Atlantic) which could sustain more than one fully integrated container service. These developments would prevent any outsider breaking into an established container service as the costs of establishing new depots, terminals and other facilities would be prohibitive.

15. Economies of scale are the key to the success of containerized shipping, and the increasing volume of cargo movements has permitted consortia to realize some of these economies on the major shipping routes. Consequently, a net of satellite feeder services converging on the large trunk routes is being gradually established. Such developments must have considerable influence on port facilities; for example, there will be a tendency for most of the smaller ports to lose their direct deep-sea shipping connections, since trunk route shipping will concentrate on one or two major ports in a given geographic area.

^{1/} These are ships which are designed to carry containers only; these containers are "glided" into cells.

16. The introduction of door-to-door or inland depot-to-depot container services extends shipping operations into the inter-modal transport sphere. Container consortia are investing heavily in land transport, operate fleets of trucks and render many of the services performed by the forwarding and customs agents. This "through" transport system would be similar to a giant conveyor belt joining one country to another under unified ownership with simplified forwarding and insurance documents, covering the entire journey of the goods.

17. It would not be unreal to assume that the existing conference arrangements will come to an end soon after the container services are established over the main world shipping lanes for the following reasons:

i. Because of the comparatively low cost of trans-shipment of containers, cargo will not necessarily have to be moved by the shortest or traditional route; this strikes at the basis of the conventional shipping conference. Container consortia will have global interests which may transcend their interests in a particular conference.

ii. It is inconceivable that world consortia of container shipowners would be willing to share the economies of scale of operations with rival operators of unit load or conventional ships. Inevitably they will tend to force them out of carrying containerable and other remunerative cargo.

A clear division in traffic task must develop which will ^{why?} not be conducive to restrictive trade agreements between the two types of operators.

Should these developments materialize, shippers will have little or no choice but to accept the service offered by what would be effectively one organization.

CARIFTA AND SHIPPING CONFERENCES

18. It is quite likely that CARIFTA countries will be confronted by container consortia in the not too distant future. These will operate from Depots and Terminals such as are already established by the Sea-Land Organization in Puerto Rico. It is also likely that another container consortium will establish a container trans-shipment terminal in the Caribbean. For the time being, however, CARIFTA countries are served by "conventional" shipping conferences. The main conferences operating in the area are shown in Appendix I.

There are various conferences in the Caribbean area. They have about 10-15 members. Voting is done by a unanimous vote.

19. Liner shipping is organized into conferences on almost all major trade routes linking the Caribbean countries with their overseas markets and sources of supply. The major conference in the area, the Association of West India Trans-Atlantic Steamship Lines (WITASS), is a closed conference, which means that new lines can be admitted only on a unanimous vote of all existing members.

METHODS OF CO-OPERATION WITH INTERNATIONAL SHIPPING

20. There are three primary methods through which a country or a group of countries by joint action, may counteract overseas shipping conference practices. They may be used jointly and the one which will predominate depends on the internal institutional framework of the country or countries concerned. They are:

Part on national shipping lines, their membership in conferences.

- National Shipping Lines;
- Machinery for consultations and negotiations;
- Anti-trust legislation.

Anti-trust Legislation

What points are covered in such legislation? Are they to be no discussions re. endorsement of effectiveness of examples.

re. considered

21. In this note the emphasis will be placed on the necessity to create an institutional platform from which the CARIFTA countries could jointly conduct consultations and negotiations with representatives of conferences from a position of strength and knowledge. Anti-trust legislative measures will not be examined because they form part of restrictive Trade Practices Legislation and are outside the terms of reference of this paper. Further, recent experience indicates that such legislation when introduced, to counter abuses in international shipping, can be a dangerous weapon. More often than not it tends to:

explain

- i. create conflicts with the legislation of countries at the other end of the trade and hence needs to be supported by considerable political power for its implementation. This applies in the case of large countries such as the United States of America;
- ii. detrimentally affect the normal trading patterns and cargo flows.

explain

Notation what is the consultation so far mentioned

However, it should be pointed out that some legislative measures to support the consultation machinery, particularly concerning powers to negotiate, would have to be introduced.

National Shipping Lines

22. The effective way in which a country or group of countries may counter-act overseas shipping practices is by active participation, i.e. by establishing national shipping lines. It is obvious that the larger the national fleet, the less is the dependence on foreign ships and, consequently, on the conference lines. However, the establishment of a merchant marine, just as the establishment of any other form of economic enterprise, must be governed by the direct and indirect effects on the growth of the national income. The effect of national flag ships as a factor of independence from overseas shipping interest is only one, and relatively minor, of the many reasons for their raison d'etre.

23. In shipping, the level of freight rates frequently has a considerable impact on the trading prospects of commodities, and reduced rates could be one of the benefits to be derived from CARIFTA participation in conference activities. Although in a shipping conference each member normally has one vote, the voice of a national owner representing one end of the trade and supported by his Government, would have to be seriously considered in the conference deliberations and decisions. However, the national shipping owner's influence in achieving a lower level of freight rates must be limited by considerations of profitability on overall operations. Despite this however, ownership of a national fleet could become an important trade promotional factor, as is evident from the role of British liner shipping and that of other countries.

24. A CARIFTA owned "national line" should be the ultimate goal in the joint trade policies of the CARIFTA countries, provided it is based on sound commercial criteria; i.e. be financially feasible and operationally profitable. The major difficulties facing the establishment of such a line are:

- i. the organization would have to be of a sufficiently large scale financially to match technical developments. In modern times, ships do not age, but become prematurely obsolete like aeroplanes;
- ii. the CARIFTA area lacks managerial experience, skilled crews to operate a modern trans-ocean carrier, and trained technical and commercial shore personnel.

25. In the meantime, however, a good platform for gaining influence on the conference practices and on the determination of freight rates could be secured by transforming the West Indies Shipping Corporation into an efficient inter-island shipping company. Such an organization would not only carry domestic cargo but could increasingly become a customer of overseas shipping lines by on-carrying overseas transshipment cargo from major ports to outports. A recognised feeder service of this type will require contractual relationship with shipping conference members, and in consequence will provide an opportunity for:

- i. active participation in conference deliberations in freight rate matters as an interested party, thus gaining some insight into the complexities of the practice of computing costs of shipping services;
- ii. providing the shipowners, that is the CARIFTA Governments, with a platform for intervention in shipping matters.

26. CARIFTA and other Caribbean countries are in a favourable position in that the major overseas shipping companies increasingly need a net of feeder services in this area. The friendly relationship which was recently established between the CARIFTA Governments and some of these companies could facilitate developments in this direction. It is the prospect of influencing freight rate and other shipping conference practices which prompted the ECLA to put such a strong emphasis on securing trans-shipment cargo for the West Indies Shipping Corporation, as soon as it is able to handle it efficiently. These opportunities, which are internationally almost unique, must be supplemented by the establishment of the so called "Consultation Machinery" if they are to be effectively utilized.

Machinery for Consultations and Negotiations ^{1/}

27. Consultation machinery is an organized collective negotiating system in the field of shipping with a view to reaching joint decisions

^{1/} The descriptive parts of this chapter are largely taken from "Consultation in Shipping", United Nations Conference on Trade and Development, Geneva, Report by the Secretary-General of UNCTAD, United Nations, New York 1967.

or recommendations on matters of common interest to shippers and shipowners.^{1/} According to United Nations Conference on Trade and Development, the parties to existing organized consultation machinery ^{2/} are the shippers' councils and the liner conferences. They enter into formal agreements to consult or negotiate on matters of common interest, such as conditions of carriage, freight rates and adequacy of service. In addition, outside the consultation machinery as defined above, consultations are carried on between shippers, conferences and, for example, port authorities, inland transport authorities, customs authorities; or between shippers' councils and non-conference lines, tramp interests, ship-brokers etc.

28. A shippers' council is an organization of shippers to represent them vis-a-vis the shipping industry. The object of organizing nationwide shippers' bodies is to achieve the negotiating strength which would result from a shippers' body representing all the shippers in a particular country. Similar considerations apply to a regional shippers' council consisting of members from all or most of the countries in the same region. Shippers in different countries but trading in the same geographic areas usually have common interests because individual shipping conferences are rarely limited to their conditions of carriage or rate schedules, to single ports or countries.

29. The main conditions for the efficient functioning of a shippers' council can be summarized as follows:

- i. it should be representative of all "shipper interests" in the area which it covers;
- ii. it should be recognized by the government(s) and supported by legislation;
- iii. it should be recognized by the shipping interests as a *this can be "legislated"* negotiating partner;
- iv. it should have an efficient secretariat capable of conducting research into shipping problems.

^{1/} Op. Cit. p.5

^{2/} Consultation machinery in the formal sense has been established in Australia, New Zealand, India, and in most of the countries of Western Europe.

30. In essence there are three main topics about which shippers and shipowners consult with each other:

- i. the conditions of carriage as laid down in contracts, conference tariff conditions, bills of lading, etc.
- ii. freight rate matters including surcharges and rebates;
- iii. the usage of common practices prevailing in the trade such as publication of conference tariffs, advance notice of freight changes and surcharges, the service offered to customers.

The organization and operations of the consultation machinery in Western Europe, Australia, and India are briefly outlined in Appendix II.

CONSULTATION MACHINERY FOR THE CARIBBEAN: RECOMMENDATIONS

Handwritten notes:
Should be without
definition of
needs of parties
to the conf.

31. In recommending consultation machinery for the Caribbean, it is necessary to take into account not only the existing practice in other parts of the world, but also the recent studies by international institutions. The UNCTAD, whose secretariat has done considerable research into these problems, recognizes eight principal conditions for the efficient working of consultation machinery: ^{1/}

- i. an adequate shippers' council or equivalent body should exist;
- ii. the conference serving the relevant trades should be authoritatively represented;
- ✓ iii. the consultation machinery should be recognized by the government as being in the national interest which may not be identical with shippers' and shipowners' interests;
- iv. the consultation procedures should effectively cover all possible topics which the parties do not want to reserve for individual bargaining;
- ✓ v. there should be effective means for the application of agreed recommendations or decisions;
- vi. || there should be effective means of arbitration or reconciliation in cases where no recommendation or decision is agreed on in consultation;

^{1/} Op. Cit. para 141, page 25.

- vii. there should be effective means of contact and co-operation between shippers' councils and conferences at the regional level through regional meetings or conferences;
- viii. the consultation machinery must be sufficiently flexible to allow for adequate consultations with all interested parties outside the machinery of consultation with conferences, in particular non-conference lines, tramp interests, port authorities, inland transport and customs authorities.

From an examination of these conditions, it is quite obvious that the framework under which the European, Australian or even the Indian system operates are non-existent in the CARIFTA area.

32. First of all the structure of external trade is the main obstacle. In Europe, Australia and India it is the exporter who has to be protected. In the Caribbean area the predominant exports such as crude petroleum and products, bauxite and aluminium, sugar and molasses are moved by bulk ships or tankers, and only very limited quantities are transported by liner ships. Bananas are carried by specialised vessels and are subject to very special marketing arrangements. As far as liner shipping is concerned, exports in terms of ships' space used, is only a small fraction of imports. The latter consist of a wide range of manufactured articles, foodstuffs, machinery, chemicals, transport equipment and fuels; i.e. consumer goods which affect the cost of living, or capital goods and equipment essential to the process of economic development. At the individual country level therefore, efficient low-cost transport facilities for imports are of paramount importance. Further, the formulation of a regional policy requires some uniformity in prices of essential articles thereby equalizing opportunities for economic development.

33. It would be premature to base the consultation machinery with shipping conferences on national and regional shippers' councils, composed of traders whose interest would be Caribbean - national. The main reason for this is the comparative smallness of the export trade carried by conference ships and the very limited range of commodities traded. Further, the standard form of trade transactions whereby goods are exported on the F.O.B. basis and imported C.I.F., means that decisions on transport are made overseas. Finally, too many producer and trading interests ^{are} ~~and~~ foreign-owned or directed from overseas.

34. These factors are common to most developing countries and exist in varying degree even in countries with a relatively sophisticated external trade such as India and Australia, where experience has proved the need for far reaching governmental intervention in shipping practices in order to protect the national interests. While every effort should be made to introduce gradually the commercial element into the consultation machinery with shipping conferences in the form of organization of exporters and importers (shippers' councils), the initiative and action in this respect can come only from the governments. Moreover, and what is probably most important, any approach to shipping interests serving the Caribbean trade must be regional, for the following reasons:

not necessarily

- i. individual countries (even Jamaica and Trinidad & Tobago) are economically too weak to match the powers of international shipping interests, who generally receive support of their governments;
- ii. generally speaking, the same shipping lines or conferences serve the whole CARIFTA area. Un-coordinated action by regional governments (or, for that matter, commercial interests, such as the chambers of commerce and industry) would give shipping conferences a chance to exploit the existing diversity of interests to their mercantile advantages, thus aggravating an already controversial situation.

The next question arises - who are the "shippers" - surely not the importers as in the exporters in UK, USA, Can.

35. The establishment of the consultation machinery is an urgent necessity. While the creation of national shippers' councils would be unachievable under the present trading conditions, it would be much more difficult to create a meaningful and effective shippers' council at the regional level. The major prerequisite for a regional approach to the problem of creating an institutionalized platform for effectively countering cartelized shipping interests, is unified governmental action.

why?

36. In the Indian case,^{1/} special emphasis is placed on the importance of the Freight Investigation Bureau (and the Maritime Freight Commission), a federal government institution which initiated the formulation of shippers' councils and serves as a liaison organization between shippers and shipping interests with a view to bringing them together to solve

^{1/} See Appendix IIc.

shipping and freight problems. It is therefore recommended that the Governments form a CARIFTA Freight Investigation Bureau which would carry out tasks similar to those of the Indian F.I.B., and that of a national/regional shippers' council. The CARIFTA "F.I.B." could carry any other appropriate name. The Bureau could be a body corporate with perpetual succession (or any other suitable legal form), but should have power to enter into contracts. It should be responsible to Governments either through CARIFTA, or preferably, the Regional Shipping Council.

37. The following major objectives are suggested for the C.F.I.B.:

- i. To secure efficient, economic, and adequate ^{cargo} shipping and air services between the CARIFTA member countries and their overseas markets or sources of supply.
- ii. To represent the oversea transport interests of member countries and to secure the greatest possible co-operation between member countries in these matters.
- iii. To consult, enter into arrangements with, and secure the co-operation of shipowners upon matters relating to overseas transport of goods.
- iv. To perform any other tasks which may be deemed incidental or appropriate to the attainment of any of its objectives.

38. Membership of the Bureau shall comprise government representatives. The Members shall appoint a small Executive Committee, headed by a Chairman with the following powers:

- i. Represent Members in all matters falling within the objects of the Bureau; all members should be bound by decisions of the Executive Committee.
- ii. Conduct on behalf of members negotiations ^{ie. ports.} for the movement of goods between member and overseas countries and enter into agreements with shipping and air transport interests.
- iii. Educate shippers and producers in matters of oversea transport with a view to bringing them together in national and regional shippers' councils. | shippers??
- iv. Appoint an executive secretary who would be an ex-officio member of the Executive Committee, and such other salaried and honorary officers and staff as the Committee may determine from time to time.

39. The Freight Investigation Bureau should have a separate Secretariat responsible to the executive secretary. It would have two main functions:

- i. provide the Executive Committee with factual and statistical data essential to achieve the objects of the F.I.B.;
- ii. provide secretarial and administrative services to the F.I.B.

The Secretariat should be responsible for providing economic studies and background factual information needed by the Executive Committee to make decisions and to negotiate with shipowners and shipping conferences.

Therefore the Executive Secretary should be assisted by a small Research Centre predominantly geared to assist in negotiations with the shipping operators, particularly in the preparation of data on comparative user costs and conditions of service for individual commodities or groups of commodities between trades. Such information could largely compensate for the obvious lack of insight into the cost-price relationship in liner shipping.

enlarge
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40. It is suggested that the professional staff should comprise three officers.^{1/} Their duty statements are shown in Appendix III. These statements explain the type of research required.

41. A suitably created F.I.B., backed by regional and governmental institutions, would be capable of dealing with overseas shipping interests from a position of considerable power inherent in the unity. An effective Research Centre would provide the other prerequisite for successful negotiations; i.e. adequate knowledge of the complexities of shipping.

^{1/} Such specialists are costly, but the results of their work will quickly and amply compensate for their salaries. They may be difficult to obtain within the Region. Being "back-room" personnel, they could be (initially) recruited from (neutral) developed countries.

MAIN SHIPPING CONFERENCES OPERATING
IN THE CARIBBEAN

I. The Association of West India Trans-Atlantic Steamship Lines (WITASS) operates from and to UK/Continent and is divided into the following sections:

i. General Section to Central America including Jamaica and Dutch West Indies (islands only).
Members are:

Cobelfranline

Compagnie Generale Transatlantique

Compania Anonima Venezolana de Navegacion

Elders & Fyffes Ltd. (only Jamaica)

Compania Transatlantica Espanola S.A.

Floata Mercante Grancolombiana S.A.

Hamburg-Amerika Linie

Thos. & Jas. Harrison Ltd.

Holland-Amerika Line

Horn Line

Italia Societa per Azione di Navigazione

Jamaica Banana Producers' Steamship Co. Ltd.
(only Jamaica)

Rederiaktiebolaget Nordstjernen (Johnson Line)

Koninklijke Nederlandsche Stoomboot Mij. N.V. (KNSM)

Mamenic Line

Norddeutscher Lloyd

Fred Olsen Line

Royal Mail Lines Ltd.

ii. Islands Section to Trinidad, Tobago, Barbados, Guyana, Surinam and Windward and Leeward Islands.
Members are:

Booker Line Ltd.

Compagnie Generale Transatlantique

Compania Transatlantica Espanola S.A.
A/S Det Ostasiatiske Kompagnie
Hamburg--Amerika Line
Thos. & Jas. Harrison Ltd.
Horn Line
Koninklijke Nederlandsche Stookboot Mij. N.V. (KNSM)
Royal Mail Lines Ltd.
The Geest Line
Scheepvaart Mij. Surinam

iii. French Section to all French territories. Members are

Compagnie Generale Transatlantique
Societe Generale de Transports Maritimes a Vapeur
Compagnie des Messageries Maritimes
Koninklijke Nederlandsche Stoomboot Mij. N.V. (KNSM)

iv. Mexican Section to Mexican Gulf Ports

v. Cuban Section: now inactive

In addition to these full member companies, there are also affiliated companies, one of which is Saguenay Shipping Limited. WITASS offers the following "loyalty" terms to shippers:

Contract: Tariff rates plus $\frac{1}{4}\%$ less 10% immediate rebate.

Non-

Contract: Tariff rates less 10% 6 months deferred rebate.

II. U.S. Atlantic and U.S. Gulf Ports Southbound Tariff, Leeward and Windward Islands and Guyanas Conference

Members:

Alcoa Steamship Co. Inc.
Atlantic Lines Ltd.
Booth Steamship Co. Ltd.)
Lampport & Holt Line Ltd.) Joint Service
Moore-McCormack Lines Inc.
Koninklijke Nederlandsche Stoomboot Mij. N.V. (KNSM)

III. Canadian Southbound Tariff No. 2 Leeward and Windward Islands,
Guyanas Conference

Members:

The Venezuela Line

Koninklijke Nederlandsche Stoomboot Mij. N.V. (KNSM)

IV. Northbound Tariff Leeward & Windward Islands, Guyanas and
Eastern Canadian Ports Conference

Members:

Alcoa Steamship Co. Inc.

Atlantic Lines Ltd.

Booth Steamship Co. Ltd. }
Lamport & Holt Line Ltd. } Joint Service

Moore-McCormack Lines Ltd.

In addition there are at least sixteen other known Conferences
or rate agreements operating in the Caribbean.



CONSULTATION MACHINERY IN WESTERN EUROPE, AUSTRALIA AND INDIA

A. SHIPPERS' COUNCILS IN WESTERN EUROPE

"In Western Europe, shippers' councils were established in twelve countries between 1956 and 1966. A formal agreement, named the Note of Understanding, was formally signed in 1964 between these twelve councils and the Western European conference lines, which in their consultation with the councils - and these consultations cover virtually all issues affecting all or most of the conferences - are represented by the national shipowners' associations of Europe (Committee of European National Shipowners' Associations (CENSA)). Apart from consultations with the shipowners' associations, negotiations are conducted with individual conferences, in conformity with the spirit and sense of the Note of Understanding. There now exists machinery for consultation between shippers and conferences in each country and at the regional level. The activities and policies of the individual national shippers' councils on the one hand, those of the individual liner conferences on the other, and those of both these groups meeting at the regional level, are effectively co-ordinated through frequent meetings. At the same time, the individual councils and the individual conferences possess complete independence. The existence of the Western European machinery seems to have intensified the daily contacts between shippers and shipowners."

There seem to be three main reasons why national shippers councils came to be established in maritime countries of Western Europe. Firstly shippers had for many years been complaining because of allegedly arbitrary conduct of shipping conferences. Secondly, it was thought that shippers' councils will contribute to the efficient working of the liner conference system, because of the contribution the system makes to the smooth flow of international trade. Thirdly, the former, unorganized negotiations between conferences and individual shippers could not result in solutions that could be applied to the whole ocean transport industry in the interest of each country's external trade.

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"The need for efficient shipper-shipowner consultation machinery has received significant recognition in two formal documents:

- (a) the resolution adopted on 15 March 1963 by the Western European Ministers responsible for shipping, and
- (b) the Note of Understanding concluded in 1963, and officially signed in 1964 by European conference lines and European shippers which followed the March 1963 resolution.

These two documents, one official and the other the result of extensive consultation between responsible private parties, represent the legal foundation for the consultation machinery that has been established in Western Europe."

These documents and also a memorandum of 2 December 1963 from European shipowners on the Western European Ministers' resolution are reproduced in the mentioned UNCTAD report on pages 51-57.

"In their resolution, the Western European Ministers agreed that a free flow of shipping services was to the advantage of both providers and users of those services. They further agreed that the conference system was indispensable as a means of enabling shipowners to provide shippers with regular and efficient services at stable rates. However, in order to safeguard this system, they agreed that means should exist, and should be widely known to exist, of ensuring fair practices and discussing grievances that shippers or groups of shippers might have against conferences. The Western European Ministers responsible for shipping made it a point that these means should preferably be provided by the conferences themselves rather than by governments."

They therefore resolved -

"to take steps to satisfy themselves and each other that conferences of which the shipping companies in their countries are members, provide in their basic agreements broadly similar machinery:

- "(a) to deal with disputes between parties to conference agreements;
- (b) to enable shippers to discuss with the conferences, with a view to settlement, any grievances they may have;

- (c) to facilitate fair and equitable solutions by such methods as may be agreed to be appropriate (e.g. arbitration etc.) of such disagreements as regards conferences as cannot be solved by the conference machinery itself."

The Note of Understanding concluded between Western European shippers' councils and Western European conference lines in December 1963 followed the ministerial resolution. The Note of Understanding provides that:

- (a) there should be regular meetings of shippers' and shipowners' representatives to discuss matters of principle and broad issues of mutual interest;
- (b) the normal machinery for settling day-to-day differences through discussions between shippers and shipowners in a particular conference or between a trade association and that conference should be continued and improved;
- (c) should this machinery fail either side should refer the matter to the shippers' council which, if it considers the matter has substance, will try to reach an understanding with the conference. If it is a matter affecting traders in a number of countries, there would be consultation between the shippers' councils of those countries;
- (d) where this procedure does not lead to agreement the matter would be referred to an independent panel consisting of three representatives of the highest standing, nominated by the Western European shippers and three by the shipowners (who would be free to co-opt an independent chairman should they feel this would help them to resolve the matter in dispute."
- (e) Finally, and what is important to developing countries, in these procedures, "due regard must be given to shippers and consignees served by the European Conference Lines in many parts of the world".

not refer to what for... doing it...

"The matters dealt with by the Western European consultation machinery are all those related to the following cargo movements in liner services:

- (a) from Europe to the rest of the world;
- (b) from the rest of the world to Europe;
- (c) between European countries;
- (d) between non-European countries so far as such shipments are controlled by Western European shippers.

It is the viewpoint of the Western European shippers that any matter of liner shipping can be negotiated within the consultation machinery, but they attach more importance to negotiating the conditions of carriage (contract clauses, tariff conditions, the rules of application of the tariff, measuring rules etc.); sailing schedules; sharing of ports of call) than to actual bargaining about freight rates, which is considered to be a matter to be settled between the shipowners and the individual shippers. Thus the conditions under which the transport is performed appear to them more important and suitable for the consultation machinery than the pricing of particular freight services."

On the whole, the arrangements in the maritime countries of Western Europe regulate the relationship between shippers and the national shipowners in highly industrialized countries. Both parties are able to negotiate from a much more comparable position of strength and knowledge than is the case for example in Australia which has no national shipping lines in overseas trade, although it has comparatively well organized shippers and producers of the main export products.

B. THE CONSULTATION MACHINERY IN AUSTRALIA

The Australian Overseas Transport Association (AOTA) was formed in 1929 following the disposal of the Australian Commonwealth Line of Steamers. AOTA comprised the Federal Exporters' Oversea Transport Committee (FEOTC) or the shippers' council, and the Oversea Shipping Representatives' Association (OSRA) representing the shipowners of the Australia to Europe Shipping Conference. FEOTC provides the shippers' half of the AOTA's council; since it represents producers and shippers, its existence has helped to adjust the balance of power in liner shipping. It is comprised of institutions (mainly primary produce marketing boards) and not individual firms. This composition has been of considerable importance to the successful outcome of discussions with shipowners because it reduces the number of people involved, while including the all-important export interests. Individual groups of shippers and shipowners negotiate detailed terms and contracts, but these are referred to FEOTC before final acceptance.

The participation of producers in this process, is considered to be of great importance. First, producers usually represent a greater domestic

First, are the exporters who have often obligations or affiliations with foreign allied commercial or shipping interests. Second, adequate shipping services and freight rates are of direct concern to them, as their competitive position is vitally affected by the transport costs. If the large proportion of Australian primary production which is exported is considered, it becomes quite clear that the producers' interests in marketing overseas are paramount.

The A.O.T.A. arrangements were limited to the outward movement of cargo to the United Kingdom/Continent, and were exempted from relevant provisions of the legislation controlling restrictive trade practices. The shipping provisions of the Trade Practices Act, 1966 expands the system of consultation to all Australian export trades and gives the Government an increased influence over the workings of the consultation machinery.

The Act provides that an officer appointed by the Minister for Trade and Industry must be present at negotiations between conferences or individual shipowners and shippers and that consideration must be given to any suggestion he may make. Previously the Government has not been actively represented at these negotiations, although it conducted discussions with conferences on such matters as the general level of freight rates and sometimes discussed special freight rates for individual commodities. The proposed legislation places the Department of Trade and Industry in a position to influence the outcome of negotiations.

The Act provides for the setting up of a separate shippers' council for each main trade along the lines of FEOTC. Membership must meet with the approval of the Minister. The conferences will have to give an undertaking that they will take part in consultations with such shippers' organizations. Moreover, conferences must make available information that is reasonably necessary for the consultations. This obligation is conditional upon the provision by shippers' councils of information reasonably requested by the conferences.

The Act also states that a shipowner must be represented in Australia by a person authorized to act on his behalf. In this way conferences or shipowners domiciled overseas will have to be effectively represented in Australia by persons empowered to negotiate with shippers.

The Act does not only allow for Government representation at negotiations, it also allows for possible Government disapproval of contract agreements. All agreements which fulfil certain conditions will have to be filed and may, on the advice of the Trade Practices Tribunal, be disapproved by the Governor-General, either because they are not conducive to the efficiency, economic nature or adequacy of overseas cargo services, or because an Australian shipowner suffers discrimination.

Agreements to which this legislation applies are those which restrict, prevent or hinder competition in cargo shipping outward from Australia by including provisions for:

- (a) the fixing or regulation of freight rates;
- (b) the giving to shippers, or the withholding from shippers, of special rates or other special privileges or advantages;
- (c) the pooling or apportioning of earnings, losses or traffic;
- (d) the allocation of ports, or the restriction or other regulation of the number or character of sailings between ports; or
- (e) the restriction or other regulation of the volume or character of goods to be carried.

Basically, the Act provides a system by which the Commonwealth Government will control overseas shipping operating regular scheduled services from Australia. Inward shipping is excluded from the proposed legislation as any regulations of monopolies in this respect might conflict with foreign legislative measures. However, regulatory measures in respect of monopolistic practices in outward shipping, in the establishment of freight-rate setting and the provision of adequate services, could have an indirect influence on such practices in the inwards trade to Australia. The Government also hopes to influence conference activities by setting up the necessary organizations to enable shipper-shipowner consultations to function effectively in a manner conducive to Australia's public interest.

The Government's new policy is based on the belief that bringing pressure on shipping conferences and lines will lead to lower freight rates from Australia and that rationalization of shipping services will produce this result. It also reflects the Government's belief that shipper-shipowner negotiation is the most effective way of obtaining better services and freight

... will see the Government has no intention of fixing rates unilaterally, ... to see the present AOTA type machinery extended to routes other than the Australia-UK/Continent and it hopes that its own supervisory ... will also strengthen the negotiation principle.

Under the new Act only 3 designated shipper bodies were formed ... The Act supports closed conferences as the best arrangements for efficient, economic and adequate forms of liner shipping services. It is not known, however, whether or not the closed conference system will be able to continue with rapidly growing container shipping services in all major Australian trades.

The Australian system under the AOTA arrangements where shippers and shipowners negotiated within one association, was (and still is) highly institutionalized as compared with the European patterns of negotiating machinery. This is because Australia is one of the greatest world exporters ^{1/} of primary produce and because marketing boards have been firmly established many years ago for all primary products and foods under the Commonwealth (=federal) legislation.

Under the AOTA, there are various types of contracts for general cargo and the main export commodities. Disputes have usually been settled between contracting parties, although they may be referred to arbitration. The advantages of shipper-shipowners agreements concluded under the AOTA auspices are evident if compared with other, similar contracts. Details of these contracts are given in the mentioned UNCTAD Report. To sum up, under the AOTA agreements shipowners undertook to provide vessels for the normal demands of the trade and shippers undertook to support these services. All shippers of the same commodity are charged equal (and publicized) rates and given similar service regardless of the size of their shipment and the port of shipment.

The greatest difficulty encountered during negotiations on freight rate adjustments is the inability of shippers to relate a particular freight rate schedule to the level of costs and profits of the shipping

^{1/} Exports account for an average of 86% of total wool production, 46% of beef, 56% of canned fruit and 30% of butter and cheese production.

companies. This difficulty led in 1957 to the introduction under the auspices of the AOTA, of a 'formula' for the determination of freight rates.

The 'formula' agreement provided that:

- (i) Voyage accounts of Conference vessels were to be made available annually to two firms of accountants, one appointed by the shippers and the other by the shipowners. Voyage costs were to be calculated on the basis of a round voyage, thus including costs of imports.
- (ii) When the financial results of Conference lines' voyages were established, a previously agreed formula would be applied to determine what variations in freight rate levels were justified.
- (iii) The parties would then meet in AOTA to negotiate the actual freight rates to be applied in the light of trade conditions and the world shipping situation.

The terms of the formula were kept confidential. However, the following guidelines were made public:

- (a) The return on capital would be a percentage of the figure calculated on the original (or historical) cost of each vessel engaged in the trade.
- (b) Depreciation was to be calculated on the replacement cost of the vessel.
- (c) The formula would be reviewed after two years.

The 'formula' is unsatisfactory to the primary producer because of the possibility that the Conference could ask for rate increases, based on an acknowledged increase in costs, at a time when world commodity prices for some or all of Australia's exports are low. The lower the commodity price on the world market the higher the burden of freight rates to producers. A flexible handling of the 'formula' is thus necessary. Applied in an inauspicious moment the formula could have seriously detrimental effects on the overseas sale of commodities. That such a situation has not arisen in recent years is due primarily to the overall improvement in the Australian trading position and the co-operation by ship-owners in deferring increases when requested by producers. This co-operation is reflected in the 'standstill' agreements of 1962 and 1964.

In fact, the 'formula' arrangements are neither advantageous to shippers nor in the long term, to shipowners. Under the formula the periodical freight

rate increases, based on all average cost items, were greater in the Australia-United Kingdom/Continent trade than in other major trades linking Australia with her markets.^{1/} It seems that the Australian shippers were paying a comparatively high price for the Conference's guarantee to lift all Australian export cargo to Europe.

On the surface it appears that the 'formula' favour the shipping lines who cannot lose under such de factor 'cost plus' arrangements. Although some degree of incentive to reduce costs is present in that companies in order to increase their profit margin are encouraged to lower their operational costs below the average level for all Conference ships, ceteris paribus this would in turn lower the average level of costs and reduce freight rates under the formula. In their effect, the 'formula' arrangements protect the least efficient operators who are able to continue in the trade without the need to improve efficiency by modernising their fleets and rationalising their shipping services to effect cost economies. Thus Australian exporters might be paying for the retention of outmoded and inefficient ships not warranted by current trade conditions.

One of the criticisms of the Conference systems has been that it limits competition and that conferences set freight rate levels on the basis of costs incurred by 'conventional' cargo liners. This over-emphasis on the importance of protecting the assets by the liner shipping companies may have hindered the introduction of advanced ship types and prevented the rationalisation of services.

C. THE CONSULTATION MACHINERY IN INDIA ^{2/}

In India, there are now three zonal shippers' councils covering the trade to and from India. The Western India Shippers' Association, Bombay, which was established in 1962, represents shippers on the West coast of

^{1/} The major trades are: North America East Coast, Japan and other Far East countries, and New Zealand. In these trades export freight rates were determined by the respective conferences.

^{2/} See also: UNCTAD publication: Liner shipping in India's overseas trade by T.K. Sarangan. United Nations, New York, 1967.

India. The Eastern India Shippers' Association, Calcutta, which was established in 1964, represents the shippers in the region around Calcutta. The Southern India Shippers' Association, Madras, which came into being in 1966, represents the interests of shippers in the southern region not covered by the other two associations. A shippers' council at the national level, known as the All-India Shippers' Council, has also been formed and has been functioning at New Delhi since March 1967. In addition to shippers' councils, there exist in India other consultative and government organizations for handling shipping problems. Particular mention must be made of the Freight Investigation Bureau, which is a specialist government organization set up to make available necessary expert assistance and guidance to shippers. It is also the function of this Bureau to improve liaison between the suppliers and users of sea transport.

In India, the emphasis is on the negotiation of freight rates. The negotiations for adjustments of the rates for individual commodities take place between the shipping conferences and the shippers' councils and/or the individual shippers concerned; the Freight Investigation Bureau (FIB) plays an active role in working out an equitable solution. A similar procedure in respect of general rate increases. In the case of both individual and general increases of freight rates, shipowners are required to consult the Government before enforcing the increase, if they should not have been able to convince the shippers of the reasonableness of their position. However, this procedure has so far been accepted by one conference only.

The role of the Government in the Indian system is of considerable importance. The Government participates to some extent in shipper/shipowner negotiations, although it is the declared policy of the Indian Government that the consultations should be conducted in the first place between shippers and conferences. The initiative of establishing shippers' councils in India came from the Freight Investigation Bureau.

Freight Investigation Bureau

The Freight Investigation Bureau (FIB) was set up in 1959 in the Directorate-General of Shipping, a part of the Ministry of Transport, as a specialist export promotion organization to maintain regular liaison between shippers and the shipowners, to assist in the removal of all bottlenecks in ocean transportation and to reorientate the liner freight fixing policies of

the Conferences to suit the needs of India's developing economy. The Bureau has its headquarters at Bombay, with a branch office in Calcutta.

The Bureau was entrusted with the following main functions:

- (a) to keep a constant watch over the maritime freight structure of export cargoes;
- (b) to investigate complaints of high, anomalous and discriminatory freight rates received from the trade interests throughout the country and to secure necessary adjustments;
- (c) to investigate complaints about lack of regular shipping services or inadequacy of sailings or shipping space for export cargoes;
- (d) to serve as a liaison organization between shippers and shipping interests with a view to bringing them together to solve shipping and freight problems.

The FIB came into being because of developments after the drive for expansion and diversification of exports began in 1956/7. New shippers needed help in handling shipping problems, they were dependent on brokers for information about freight rates and sailing opportunities and they did not know whom to approach for redress when the rates quoted by the Conferences were prohibitive and unhelpful. They had not the necessary background, nor was there any prescribed procedure, to make a convincing case for rate adjustments. There were instances where cargoes were shut out after casting orders had been issued; there were also complaints against the shippers about improper packaging of goods, false declaration of nomenclature, etc.

The first action taken by the Bureau was to devise proforma A and proforma B ^{1/} for the supply of data by shippers to shipping lines and to FIB when they requested new or changed rates.

According to the procedure laid down by FIB, the shipper has to submit directly to the Conference/rate agreement/line concerned the information in proforma A. A copy of the completed proforma A together with the additional information in proforma B is submitted to FIB to

^{1/} These are attached at the end of this section.

enable it to examine the case and take it up with the Conference etc. concerned giving reasoned support to the shippers' request with the help of additional facts available to the Bureau.

Proforma A covers all the information a Conference would need for considering a request for a rate to be fixed or adjusted. Proforma B, which is submitted only to FIB, covers additional information. This includes, for example, the names of other ports from which exports can be developed, confidential information on the components of the price of the commodity, including profits, freight payable on similar products from competing countries and their c.i.f. prices. This is all information which is very helpful to FIB's investigations but which a shipper may not like to pass on to the Conference.

In its initial stages, FIB had to limit its activities to collecting freight tariffs and maintaining them up to date, circulating rate information to trade associations export promotion councils, commodity boards and Government departments dealing with export promotion and to investigating complaints about shipping space and rates received from shippers. Experience has shown that the majority of shippers, being newcomers to the field, could not make out a cogent case to support their claims that freight rates were holding back exports. It was therefore found necessary to expand the organizations by adding a research section to undertake a continuous study of several freight tariffs affecting India's foreign trade and to initiate action on rate adjustments and unhealthy shipping practices in the interests of export promotion.

This research section was formed in 1962 with the main functions of examining the implications of rate changes, both as regards commodities and overall rates, collecting and analysing data on rates and export prices in India and competing countries and undertaking research on the adequacy of existing services and the possible need to introduce services on new routes. Thus FIB's functions were considerably widened. Studies may also be undertaken on tying arrangements, sales contracts, packaging, inland transport costs, port costs, etc. With the help of this applied research FIB is able to subject shippers' complaints to a closer scrutiny and to help their arguments. This has assisted the Conferences to appreciate the shippers' difficulties and in many cases has resulted in their conceding rate

reductions. It might be mentioned that the organization functions best when work relating to the examination of data for a particular case is not separated from work on preparing the case to be taken up with the Conference.

The functions of FIB are being continually expanded and some of its major functions have been to educate the shippers about their rights, responsibilities and obligations, to bring about unity among the shippers, to assist in the evolution of healthy shipping practices and to create a machinery for fixing shipping freight rates by mutual consultation between shippers and shipowners. In the course of six years' work FIB has done much in the field of organizing the shippers. The very existence of FIB in the Directorate-General of Shipping, Ministry of Transport, has been a restraining influence on unhealthy shipping practices. FIB has been instrumental in obtaining rate adjustments in several cases covering a wide range of commodities including manufactured articles of many kinds, and also renders day-to-day assistance to the shippers in solving their shipping problems. It has to some degree succeeded in making the Conferences adopt a new approach to problems of common interest and has made them appreciate the need to take the shippers into their confidence when fixing freight rates, changing the terms of contract etc. FIB has developed a very useful liaison between the shippers and the shipowners and its services are being increasingly used not only by shippers but also by shipowners to sort out shipping and freight problems.

Maritime Freight Commission

It was in the context of creating a mutually acceptable procedure for consultation between the Conferences on the one hand, and the shippers and Government on the other, that the Government of India set up a statutory body known as the Maritime Freight Commission (MFC) to advise the Government on all matters relating to maritime freight rates, overseas or coastal, which may be referred to it by the Government of India. Such references may include the proposals of the Conference/Rate-Agreements/Shipping Lines for general or commodity increases in ocean freight rates where trade and shipping interests are unable to reach agreement on complaints from the trade relating to high, anomalous and discriminatory freight rates which may be holding back the export

trade of India. The Secretaries of the Indian Ministry of Transport and the Ministry of Commerce are members of this Commission. The Freight Investigation Bureau provides secretarial assistance.

FORM OF APPLICATION FOR A REDUCTION IN A FREIGHT RATE

Particulars are requested for reduction in ocean freight
(each commodity and each destination to be given on separate forms.
Any further information may please be typed on back of the form.)

Commodity: _____

1. (a) Nature of packing _____
(b) Tons measurement is _____ cu.m.
weight _____ 1,000 kg.
2. (a) Port of loading _____ (b) Destination _____
3. Estimated annual export for above destination from India is _____
tons; and actual export during last 12 months by our firm alone was
_____ tons.
4. Indian commodity sells in above destination at Rs. _____ per _____
but same commodity from other countries exported to the same des-
tination sells at Rs. _____ per ton and if ocean freight is reduced
as desired we anticipate an increase in our own exports to _____
tons.
5. Present freight rate is Rs. _____ per ton of _____ cu.m./1,000 kg
and this may reduced to Rs. _____
6. The following Association or Chamber is mainly interested in dealers
and exporters of this commodity, namely (give full name and address)

and we have taken up this matter with the Association/Chamber also.

CONFIDENTIAL

7. (a) Our f.o.b. cost per ton is Rs. _____
(b) Our insurance cost is Rs. _____ % of f.o.b. cost.
(c) The present freight cost is Rs. _____ or _____ % of f.o.b. cost.
(d) Our landing cost at destination is Rs. _____ per ton.

Our full name and address is: _____

Telephone No.: _____

Telegraphic address: _____

Date: _____ Signature _____

Note: Original to be submitted to the Conference/Rate Agreement/
Shipping Line concerned. A copy to be furnished to the Freight
Investigation Bureau together with proforma B duly filled in.

Particulars of information to be given to the Freight Investigation Bureau in support of a request for a reduction in a freight rate

To be furnished only to
Freight Investigation Bureau

PROFORMA FOR SHIPPING FREIGHT CONCESSION

1. Name of commodity in respect of which shipping freight concession is required.
2. Centres of production of the commodity.
3. Station from which the commodity is usually consigned to the port.
4. Port from which the commodity is normally exported.
5. Other ports from which export can be developed.
6. Average exports of the commodity from the country during a year.
7. Present shipping freight payable in respect of the above transport. (Please indicate the actual rate from the port of despatch to each port of destination and not the rate per mile. The nature of packing weight, and measurement of packages, and special classification of cargo if any should also be mentioned.)
8. Shipping freight payable in respect of similar products from competing countries to the same port of destination. (Please indicate the names of the country of origin.)
9. Break-up of the price of the commodity showing:
 - (a) Cost of production.
 - (b) Other charges, including profit, to be added to (a) above, to arrive at the expecting price. The amounts of refunds, etc., that would be obtained under the law would have to be subtracted in item (a).
 - (c) Handling charges to the station of despatch.
 - (d) Railway freight to principal ports of export.
 - (e) Handling charges and other expenses at the port of export to arrive at the f.o.b. prices.
 - (f) Insurance charged.
 - (g) Steamer freight to principal foreign markets.
 - (h) C.i.f. price at foreign ports.
10. C.i.f. price of competing foreign products.
11. The extent of shipping freight reduction that should be made to make the product competitive.

- 12. Any other reason why steamer freight should be reduced.
- 13. Other remarks.

Signature of the Officer
Name of Institution on behalf of which
the application is being sent

Place

Date.....

APPENDIX III

PROFORMA DUTY STATEMENTS

A. RESEARCH OFFICER (Freight Rates)

Under the direction of the Executive Secretary Officer shall be responsible for or shall assist in:

1. the constant watch over the freight rate structure within each major trade, between trades for similar commodities and for commodities carried to and from competing countries, including charter rates;
2. investigation of complaints in respect of anomalous and discriminatory freight rates and the preparation of analyses as requested;
3. investigation of costs of transport by: commodities, groups of commodities, trades and the resulting comparative cost studies. Analyses and examinations of cost data whenever provided by shipping interests or accountants, dissections of individual cost items and assessment of their influence of the freight rate level;
4. preparation of submissions regarding freight rates, transport costs and any other matters, as required.

Qualifications: University degree in economics or arts with a major in at least one of the following:

- economics
- statistics
- mathematics
- managerial accounting

Experience in economic research essential.

B. RESEARCH OFFICER (Shipping Practices)

Under the direction of the Executive Secretary Officer shall be responsible for or shall assist in:

1. the constant observation of the structure of, and developments in, shipping conferences, joint shipping services and feeder services. This will particularly involve the examination of the influence of technical innovations in transport on the capacity of shipping services;
2. the study of the demand for shipping services including preparation of reports for action in co-operation with government departments and port authorities. Emphasis will be placed on the preparation of recommendations for improved and rationalized shipping services.
3. investigations of complaints about inadequate shipping services and shipping space and preparation of reports;
4. the recording of trade statistics and origin - destination commodity flows. Also the production of the necessary statistical compilations and forecasts;
5. in conjunction with the Tariff Officer-cum-statistician collect and maintain origin and destination cargo flow figures and prepare forecasts of cargo movement.

Qualifications: University degree and experience in economic research desirable, shipping experience essential.

C. TARIFF OFFICER-cum-Statistician

Under the direction of the Executive Secretary shall be responsible for:

1. Documentation and in particular the maintenance of current freight rate tariffs and the extraction of the necessary information from these tariffs;
2. filing of information on liner (conference) and charter freight rates;
3. under supervision of Research Officer (shipping practices) and in co-operation of governments and other national overseas and international (UN) institutions collection of statistics on the movement of cargo;
4. classification and cataloguing of library.

Qualifications: Matriculation standard essential.

