



17<sup>th</sup> February 2014

Chairman,  
Competition Commission of Pakistan.  
7<sup>th</sup> Floor South, ISE Tower,  
550B, Jinnah Avenue,  
Islamabad

**Sub: Cartelization of shipping lines for Charging additional charges  
of upto US \$ 500 per container.**

Dear Sir,

Transparency International Pakistan has received a complaint against shipping agents and shipping lines for abuse of their dominant position by charging unreasonable/excessive prices of US \$ 500 per 40 ft Container, w.e.f 1.2.2014, in contravention of Section 4, 3 (2) and (3) (a) of the Act in the period December, 2010 to December, 2011.

The complainant has reported the following allegations, which are against the provisions of CCP Act:

1. CMA CGM Group, France' are reported to be the leader in maritime transportation, demonstrates that family businesses are efficient socially and economically.
2. In the past shipping companies were part of Conferences. Conferences would collude to fix rates and announce those as "General Rate Increase".
3. CMA CGM Pakistan (PVT) Ltd has issued 'General Rate Increase' which all shipping Agents in Karachi have collectively introduced this month. It applies to all shipping lines operating from Pakistan to Europe and America. Freight has been increased by \$500 per 40 ft. Container, and US \$ 250 per 20 ft Container.
4. Such prohibitive practices amounting to cartelization have been banned Internationally.
5. In 1986 the European Council of ministers adopted Regulation 4056 to bring the industry into line with European Community competition law. Despite opposition from shippers, the exemption was granted from competition rules under the treaty of Rome on the basis that the conference system yielded benefits for their customers--one of the four conditions for exemption under Article 81(3).
6. However, the European Council agreed on 25th September 2006 to repeal Regulation 4056/86 putting an end to the possibility for the liner carriers to enter in the agreements to fix prices and regulate capacities as of October 2008.
7. Shipping Agents in Pakistan should not be allowed to make a cartel for fleecing Pakistani exporters, through a notification issued by CMA CGM Pakistan (PVT) Ltd, to impose additional cost of US \$ 250 and \$ 500 on each container as they have to operate under the Laws of Pakistan,
8. Such additional cost is in direct contravention of Section 3 (2) and (3) (a) of the Act in the period December, 2010 to December, 2011. *w*




9. Section 4 of the Competition Act, prohibits trade associations from fixing or recommending prices to its members.
10. The Competition Commission of Pakistan has opposed price collusion in various cases.
11. The term "General Rate Increase" continues to be used by shipping lines calling at Karachi colluding to fix rates by Safmarine, MSC and CMA CGM that "General Rate Increase" of US\$250/500 would be implemented during the month of February 2014 by all these three companies (and all others on the Karachi-Europe-America route).
12. This is obviously totally opposed the concept of fair competition through group connivance.
13. On 23 June 2011, CCP issued an order in the matter of cartelization by Pakistan Ship's Agents Association (PSAA), holding that PSAA had violated Section 4 of the Competition Act, 2010 by recommending a range of charges for ancillary shipping services provided by its members.

The complaint may be examined by CCP, with request to take action under CCP Act 2011, as such alleged prohibitive practice is causing additional cost to Pakistan Exports, and hurting the economy of the country by making Pakistani exports costlier.

The Chairman is requested to also refer to the CCP Order dated 11 May 2012 which enabled the CCP to break the cartelization in procurement quota and price fixing operated by the members of Pakistan Electrical Power Equipment's Manufacturers Association.

TI Pakistan is striving to have transparency in procedures and Rule of Law in Pakistan, which is the only way to eliminate corruption and have good governance in country.

Regards,

  
Sohial Muzaffar  
Chairman

Copies forwarded for information and appropriate action under the mandate vested, to,

1. Chairman, Public Accounts Committee, Islamabad,
2. Chairman, NAB, Islamabad.
3. Minister of Finance, Islamabad,
4. Minister of Commerce, Islamabad,
5. Minister of Ports & Shipping, Islamabad
6. Registrar, Supreme Court Pakistan, Islamabad.

*CUSTOMER ADVISORY*

*CMA CGM PAKISTAN (PVT.) LTD*

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+ US\$ 250 per 20' (dry cargo)

+ US\$ 500 per 40' (dry cargo)

CMA CGM Pakistan