SURCHARGES

One of the items of additional revenues we question is the so-called "surcharges".

Reviews of tariffs on file with the Commission show us that such surcharges are often questionable as to their—

1. "timely justification";
2. percentage.

A typical point in question is the surcharge situation that existed immediately after the outbreak of the Arab-Israeli war in June 1967. The North Atlantic Mediterranean Freight Conference set a 25% surcharge on all goods exported to Moroccan, Algerian, Tunisian, Lybian, Egyptian, Lebanese and Syrian ports. It became effective 6/23/1967.

To show the penalty that American exporters were exposed to without the possibility of recourse or refunds, one has to look at the sequence of these surcharges. Apparently realizing the unjustication of the original application, surcharges were suspended for Moroccan, Algerian and Tunisian ports, effective 6/27/1967. Consequently all cargoes that moved between 6/23 and 6/27 were obviously without justification charged the 25% surcharge. A further change appeared effective 7/11/1967, where surcharges to "certain Lybian ports" were suspended, but still maintaining the 25% surcharge to the Port of Tripoli, notwithstanding the fact that European conferences did not have such surcharge at all. Therefore exporters shipping from 6/23/1967 to 7/11/1967 to the ports of Benghazi, Marsa el Brega were subjected to the 25% surcharge.

OFC had the opportunity to audit the freight bills of one of America's largest firms, who had considerable freight going to these destinations and was subjected to these surcharges without any possibility for adjustment. Effective 9/22/1967 the Port of Tripoli was removed from the surcharge. Therefore again any exporter shipping to Tripoli from 6/23/1967 until 9/22/1967 was subjected to the surcharge without any possibility of refund.

The surcharge maintained to Egyptian and Syrian ports was reduced to 15% effective 10/24/1967. This surcharge is still applicable. When one compares the action of European based conferences serving the same area and obviously facing the same hazards, they acted entirely more reasonable. So did the Pacific Coast European Conference.

For example the Gulf Mediterranean Conference *never* assessed a surcharge into the Algerian, Moroccan, Tunisian and Lybian ports.

The Pacific European Freight Conference advised us that their only surcharge was to Egyptian, Lebanese and Lybian ports, amounting to only 5% effective 9/6/67 until 12/6/67.

The different treatment of surcharge emergencies is clearly demonstrated here and is considered unreasonable and certainly discriminating as between ports and shippers.

A proposed solution could well work in the same manner as "general average". Each shipper is aware that in case of damage to the vessel they have to face the declaring of "general average" and therefore protect themselves by proper marine insurance coverage.

In a warlike situation we can understand the immediate protection and surcharge application. But as the present surcharge works in the Middle East, it is continuously assessed regardless of whether the vessel completes its voyage and discharges at these ports without having any problems or facing any dangers during voyage.

It would seem to us that the principle of "general average" would be more applicable than a generally applied surcharge.

OFC has brought this situation to the attention of the FMC. Unfortunately at present all the Commission can do is to communicate with the carrier or conference on an "informal basis" urging reconsideration. While this may at times be successful, it is not sufficiently protective to the American exporter, as we are still witnessing today.

Surcharges in most trades are shown in percentages of the applied freight rate. There are exceptions such as in the River Plate Brazil trade, where the surcharge is expressed in dollars per ton, therefore applying it in a nondiscriminatory fashion to all shippers utilizing the traderoute where a surcharge is in effect. The percentage method is to be challenged when one knows what a surcharge covers. If for example the surcharge is applied due to congestion at a foreign port of