

Chapter 1: The Necessity of Promoting Proper Transactions in Port Transport Services

The port transportation industry, a key pillar of Japan's logistics, faces a severe shortage of workers due to harsh working environment and population decline. It is essential to improve the transaction environment to enable fair price transfers for not only inflation but also improvements in working environment.

Chapter 2: Legislation Relevant to Proper Transactions

To ensure fair transactions in port transportation services, compliance with the Port and Harbor Transportation Business Act, the Proper Transactions Act, the Antimonopoly Act, etc. is required. These guidelines organize desirable transactions for promoting compliance with these legislation and fair transactions for all stakeholders, including overseas operators.

Chapter 3: Issues in Transactions and Desirable Transaction Structures

Transaction Issues which can be Legal Violation

Setting of Freight rates and Charges, Appropriate Consultation on Freight rates and Charges

- ◆ Transport Contractor presented the cost calculations, but Contracting Entity unilaterally sets low freight rates and charges.
- ◆ The Transport Contractor requests consultation to review freight rates and charges, but the Contracting Entity refuses to engage.
- ◆ Regarding the pricing for additional workers requested by the Transport Contracting Entity under volume-based freight rates and charges, but the Entity doesn't engage in consultation.

Reduction of Freight Rates and Charges

- ◆ The Transport Contracting Entity requests reduction of freight rates and charges, citing reasons such as its own deteriorating business performance, the nature of cooperation fees, etc.

Change in Transport Details

- ◆ When a vessel delay, standby rates are not be paid.

Provision of Ancillary Services Related to Transport

- ◆ No compensation is paid for ancillary work such as container movement within the ship or CY.
- ◆ Goods are stored for an extended period without charge at the sole discretion of the Transport Contracting Entity in CY.

Improvement of overtime work hours

- ◆ The Transport Contracting Entity doesn't engage to consult on overtime charges during midnights, weekends, holidays, etc.

and, etc.

Desirable Transaction Structure

The Transport Contracting Entity and the Transport Contractor shall regularly share information and exchange opinions regarding both parties' business environments, economic conditions, etc.

Transport Contractor shall engage in price transfer negotiations utilizing not only transport costs but also necessary indicators and data, and Transport Contracting Entity shall respond sincerely and consider accepting such price transfer.

Against unilateral discount requests, demand evidence, refuse to accept rates below cost, and negotiate persistently.

Charges for canceling or changing transport requests shall be clearly stated in the contract documents.

The scope of work and responsibilities shall be detailed in the contract. For tasks not specified, a provision for "other ancillary work" shall be established to enable billing based on actual costs.

Demand that shipping companies establish appropriate free time periods and bear necessary expenses, and cargo owners recognize that the CY is not their own cargo storage facility.

The Transport Contracting Entity shall properly pay premiums for work performed outside of scheduled hours, and this shall be clearly stated in the contract documents.

and, etc.

Chapter 4: Specific Initiatives toward Achieving Proper Transactions

Examples of Specific Initiatives in the Port Transport Industry

- (1) In the negotiations for freight rates and charges, the principle shall be based on proper cost calculations, and consult to ensure that various premium rates, etc. can be clearly specified in contract documents. Additionally, strive to regularly share information with Transport Contracting Entities regarding issues facing the Port Transport Industry, such as labor shortages.
- (2) To maintain the provision of necessary services, promote initiatives to enhance the appeal of port transport and strive to secure employment, while also adopting automated and remote cargo-handling machinery to improve working environment and increase productivity.
- (3) Port Transport industry associations shall promptly formulate voluntary action plans to review commercial practices within the industry, promote fair transactions including relationships with shipping companies and cargo owners, and enhance productivity and added value.

Examples of Specific Initiatives by Shipping Companies and Cargo Owners

- (1) Fully understand the business environment, including rising labor costs and labor shortages in port transport industry, and sincerely respond to requests for negotiations regarding freight rates and charges from Port Transport Operators, determining appropriate freight rates and charges based on thorough discussions. In particular, shipping company that contract transport shall strive to visualize port transport costs and appropriately transfer these costs to Cargo Owner, etc.
- (2) When conducting consultations, provide the Transport Contractor with information necessary for consideration and, if a response will take time, indicate the expected response date, thereby striving to facilitate smooth consultation. Additionally, clearly specify in contract documents the premiums for cargo handling outside scheduled times, pricing structures addressing cargo volatility, and cost allocation arrangements for cancellations or changes to transportation requests.
- (3) Recognize the burden on the Transport Contractor for ancillary services beyond transport operations and bear appropriate costs. For example, when temporarily storing containers within a container yard, bear storage costs and set appropriate storage periods to ensure the smooth operation of the entire container yard.
- (4) To improve working environment, promptly notify in cases of ship delays or changes to working hours. When work occurs during times when securing workers is difficult, consult with the Transport Contractor and take measures such as adjusting working hours.

Remarks Desirable to Specify in Port Transport Contract Documents

1. Scope of Works (Coverage of the base rate)
2. Premium Rates (Midnight/Late-night, Weekends, Holidays, etc.)
3. Premium Standby Rates (Rates for standby period for cargo handling)
4. Minimum Rates (Rates for Small volume cargos, Cancellations, etc.)
5. Others (Consultations for matters not specified in the contract documents)