



ATTN: SHIPPING & LOGISTICS EDITORS

HAFFA Welcomes Reinstatement of Cargo Fuel Surcharge Mechanism

The Hongkong Association of Freight Forwarding and Logistics Limited (HAFFA) has welcomed the government's decision to reinstate the Cargo Fuel Surcharge (CFS) mechanism with effect from 1st April 2017, until 31st December 2019.

HAFFA played a significant role in urging the Civil Aviation Authority (CAD) to reinstate the mechanism after it was removed on 1st April last year, impressing upon the authorities the vital importance of maintaining an equitable, clear and transparent system for the good of Hong Kong's cargo industry.

Commented HAFFA Chairman, Mr. Cliff Sullivan: "HAFFA fully supports the decision by the CAD to reinstate the CFS mechanism. We believe it is vital to maintain an equitable, clear and transparent CFS mechanism for the well-being of Hong Kong's cargo industry, and are committed to working with the Government to improve its structure in the long term."

For many years, the CFS mechanism has provided a regulated fuel index-based price adjustment system which enabled the industry to prepare and make precise provisions for fluctuations in fuel prices. The unilateral removal of the CFS mechanism in April 2016, while intended to enhance Hong Kong's competitiveness, left the industry without a regulated system to accommodate fluctuations in oil prices. Immediately following the abrupt cancellation of the CFS mechanism, HAFFA met with CAD in May 2016, and submitted a letter stating the Association's position on the decision, and detailing its highly-adverse impact on the aviation industry and the serious repercussions it created.

CAD engaged a consultant to conduct a study on the regulation of fuel surcharges and examine the entire fuel surcharge issue in both the passenger and cargo sectors. Throughout the study, HAFFA provided the consultant with essential cargo information, and continued to impress upon CAD the imperative and urgent need for a standard cargo FSC mechanism. The study was finalized in early 2017, and took into consideration the concerns of several different stakeholders, including those of HAFFA. HAFFA strongly supports CAD in its decision to resume a modified Cargo FSC mechanism in response to the many industry concerns and in order to maintain Hong Kong's competitiveness as an international aviation hub.

To cope with the potential of high oil prices beyond 2019, when the current CFS mechanism is due to once again cease, HAFFA is concerned that a satisfactory replacement is established to take its place in advance. . Before a decision is made on whether fuel surcharges are to be de-regulated in the long run, HAFFA will continue to work with the Government on future consultations in order to seek satisfactory solutions to this complex issue.

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Issued on behalf of the Hongkong Association of Freight Forwarding and Logistics Limited by PR Plus Limited. For further information, please contact Helen Feng on telephone 2575-6995 or email helen@prplus.com.hk.