



30 October 2025

Competition Commission  
19/F, South Island Place,  
8 Wong Chuk Hang Road,  
Wong Chuk Hang, Hong Kong  
Attn: Representations on Case BE/0004

**ASA Submission in response to Hong Kong Competition Commission initial consultation regarding the second review of the Competition (Block Exemption Order for Vessel Sharing Agreements) Order 2017 (as varied) – Reference No: BE/0004**

The Asian Shipowners' Association ("ASA") appreciates this opportunity to comment on the initial consultation regarding the second review of the Competition (Block Exemption Order for Vessel Sharing Agreements) Order 2017.

The ASA is a voluntary organisation of the shipowners' associations from ASEAN\*, China, Cook Islands, Hong Kong, Japan and Korea, representing around 50% of the world merchant fleet.

*\*The Federation of ASEAN Shipowners' Associations (FASA) consists of associations from Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.*

We are pleased to hereby submit the ASA's comments in response to your inquiries raised in this initial consultation below.

**Market developments**

- (1) What have been the major developments in the liner shipping industry since the issuance of the 2022 Variation Order, for example, with regard to general market conditions, prices, service levels, the state of competition and the level of cooperation among shipping lines?

**【ASA Comments】**

- The liner shipping industry has been forced to reroute via the Cape of Good Hope to ensure the safety of crews and vessels, due to geopolitical tensions in the Red Sea and the water shortage in the Panama Canal. The USTR's Section 301 action will have a significant negative impact on their business.
- (2) What have been the impacts of global developments, e.g., recovery from the Covid-19 pandemic, port congestion, inflation, increased tariffs, etc., on the liner shipping industry? To what extent are

these impacts (if any) expected to endure?

【ASA Comments】

- Supply chains have become increasingly volatile, driven by the convergence of geopolitical instability, environmental challenges, and economic disruptions. This regrettable trend is expected to continue, and in order to maintain service levels, liner companies need to adjust capacity - making effective use of VSAs- to align with demand fluctuations while preserving schedule integrity and minimizing cascading delays.

(3) To the extent not already addressed in (1) and (2) above, have there been any notable developments since the 2022 Variation Order that have taken place in Hong Kong or any place outside Hong Kong that affect VSAs?

【ASA Comments】

- Prior to Covid-19, HK port was often used as a major hub for transshipment cargo to/from south China – i.e. goods produced in China or for China domestic consumption that was moving through HK port, instead of terminals in mainland China.
- During covid-19, HK and China applied separate/differing quarantine restriction policies from each other, that severely affected this China t/s cargo. Owing to different policies, trucks (or barges) moving good from/to China mainland were not allowed to cross the HK-mainland border. Instead, China truckers carrying outbound containers had to end their trip at the border, drop off their container, and a HK trucker had to be dispatched to the border to pick up the container and deliver it to the HK terminal (same process in reverse for inbound cargo). This doubled trucking cost, added time and created an efficiency barrier that proved to be too cumbersome. As a result, HK's position as a transshipment hub for China cargo was decimated. Shenzhen terminals benefited tremendously from this change, and crystallised agreements with shippers for new business models. Since end of covid restrictions, HK has been unable to secure this business back owing to reduced number of truckers who gave up the business during covid-19 and increased costs.
- As a result of longer Asia–Europe voyages due to the Red Sea situation, as well as draft restrictions in the Panama Canal, deep-sea services have reduced their port calls in Asia, often limiting them to two or three major hubs. Owing to the reduced cross-border trucking volume, HK has been one of the ports dropped from many major East–West services.
- Since these vessels previously brought in large volumes (20,000+ TEU capacity), their removal had an immediate impact on overall throughput. However, these large vessels have been replaced by smaller feeder services relaying cargo from major hubs. As a result, the HK port is evolving into a regional transshipment hub. Indeed, while total throughput has declined, the number of vessels calling at HK has steadily increased since

2019, and the number of destinations/origins covered via HK has grown significantly.

- At the same time, owing to congestion at major Asian East–West hubs serving deep-sea trades, HK port is increasingly becoming a “catch-up” port, where some vessels call when other ports are too busy or berthing windows are full.
- Likewise, as other major competing ports focus on high-profile East–West services, HK is evolving as a major hub for cargo to and from Oceania, Southeast Asia, the Middle East, South Asia, and the East Coast of South America. Cargo volumes in all these trades to/from HK have grown over the past five years.

(4) Looking at the developments since the 2022 Variation Order, how has the Order influenced (if at all) the ability of small- and medium-sized carriers to compete effectively with large carriers? For instance, have there been any changes in terms of market access for small- and medium-sized carriers, their operational or cost efficiencies gained or challenges faced in competing with larger carriers?

**【ASA Comments】**

- The HK Port has benefited over the past many years, including the post-COVID period, from the availability of such operational agreements. Unlike Europe and other more mature markets, HK and South China are served by a dynamic and active network of frequently shifting small VSAs. This has enabled small and medium-sized shipping companies to deploy their available vessels—sometimes just one or two—together with other lines in similar situations to introduce new services to and from the Hong Kong Port.
- Owing to the dynamic VSAs among small and medium-sized carriers, Hong Kong (HK) has experienced temporary surges in services whenever other trades are affected. One anecdotal example is when the China–US tariffs increased to 200%, prompting deep-sea services to shift their routes to other destinations. While those vessels were enroute, China and the US suddenly reduced the tariffs to 10–30%, which led to a renewed and urgent demand for transpacific cargo. As the deep-sea vessels were already sailing toward alternative destinations, a number of temporary VSAs—mostly among small and medium-sized carriers—emerged through HK to meet this demand.

*Market share limit*

(5) Have there been any changes in the market that impact the appropriateness of the market share limit since the 2022 Variation Order?

**【ASA Comments】**

- The above anecdotal example could be used as an argument against imposing market share

caps. HK's ability to swiftly introduce new operational services to meet market demand may at times result in some carriers temporarily exceeding their market share on certain routes, as a consequence of abnormal market conditions (as illustrated in the example above).

- It would be a disservice to the market to restrict such flexibility and responsiveness by forcing carriers to decline operational agreements due to market share limitations.
- Overall, the market and competitive conditions in HK are such that no carrier comes anywhere close to a dominant position that would raise anti-competitive concerns.

(6) In the context of intra-regional trades (for example, the intra-Asia trade), have there been any changes which suggest the market share limit should be applied by reference to a particular point-to-point route on the trade instead of by reference to the trade as a whole?

**【ASA Comments】**

- No change on application of market share limit in the intra-Asia market was confirmed since the last BEO renewal. ASA believes that given how highly competitive the liner shipping sector in HK is, HKCC should consider dropping the market share limit in the BEO and place HK on level playing field with its competing ports.

*Competition concerns and efficiencies*

(7) Have there been any changes with respect to the competition concerns to which VSAs may give rise since the 2022 Variation Order? In this respect, the Commission previously found that VSAs could potentially give rise to:

- (a) reductions in service variety;
- (b) capacity restrictions (where parties to the VSA had market power); and
- (c) sharing of competitively sensitive information

**【ASA Comments】**

- To their point (C), I would add that, as a free-market port hosting numerous regional small and medium-sized carriers, as well as major traditional deep-sea carriers that use Hong Kong (HK) as a wayport on their deep-sea services to fill empty slots within Asia, HK's shipping landscape is exceptionally competitive.

(8) Have there been any changes with respect to the economic efficiencies and resulting benefits to consumers in Hong Kong to which VSAs may give rise since the 2022 Variation Order? In this respect, the Commission previously found that VSAs could give rise to:

- (a) broader service coverage and higher service frequency than if shipping lines were operating alone;
- (b) cost efficiencies for shipping lines through use of larger vessels; and

(c) decreased costs of entry and expansion for shipping lines on particular trade routes.

【ASA Comments】

- To their question (B), I would say that, while Hong Kong (HK) has lost some business from mega-large vessels that now frequently skip HK port, it has benefited from VSAs that are flexible and adaptable among small and medium-sized carriers stepping into the gap.

Regulatory developments in other jurisdictions

(9) Between 2023 and 2024, the European Commission<sup>7</sup> and the UK Competition and Markets Authority (“CMA”)<sup>8</sup> allowed their respective Consortia Block Exemption Regulations (“CBERs”), which also covered VSAs, to expire.

- (a) Does the expiry of the CBERs have any impact on the effectiveness of the Order? For example, because of the expiry of the CBERs, companies that previously relied on the application of both the CBERs and the Order (i.e., on the Asia/Europe trade) are no-longer able to do so and are required to self-assess regardless of the continued application of the Order; and

【ASA Comments】

- The liner companies have continued self-assessments in order to ensure full compliance with relevant laws and regulations especially after abolishment of Council Regulation (EEC) No 4056/86.
- It may also be worth highlighting that, while the EEC and the UK have allowed their VSA BEOs to expire, other sectoral regulations and provisions that have been in place for many years grant carriers the same level of exemption. In this sense, the EU and UK BEOs were largely redundant, and the absence of an EU or UK BEO does not mean that shipping lines lose the same level of legal certainty.
- Secondly, the EU region includes many competing ports. Removing the EU BEO affects all these ports equally. The same environment cannot be replicated in Hong Kong (HK), as HK is only a single port. Without a BEO, HK would be at odds with every other regional competing port.

- (b) Are any of the factors that resulted in the European Commission’s or the CMA’s respective decisions not to renew their CBERs relevant to the Commission’s consideration of the renewal of the Order?

【ASA Comments】

- ASA would like to emphasize that major Asian countries including Singapore, Mainland China, Japan, Malaysia, South Korea and Taiwan continue to recognize importance of the block exemption for stable flow of global trade through maintenance of their systems even though EU

and UK have abolished consortia regulations respectively.

(10) Have there been regulatory developments in other jurisdictions, such as block exemptions being created, renewed or left to expire, that are relevant to the Commission's review?

**【ASA Comments】**

- Singapore: The Competition and Consumer Commission of Singapore ("CCCS") has recommended to the Deputy Prime Minister and Minister for Trade and Industry to renew the Block Exemption for Liner Shipping Agreements Order for a five-year period from 1 January 2025 to 31 December 2029.

*Effectiveness of the Order*

(11) Does the Order continue to be merited and effective? In your response, please address:

- (a) the desirability of maintaining a stable and predictable regulatory environment in relation to competition for liner shipping; and

**【ASA Comments】**

- The legal certainty facilitates efficiency-enhancing cooperation in the industry, which is vital for the achievement of the HK Government's policy objectives.

- (b) the likely effects if the Order were allowed to expire.

**【ASA Comments】**

- ASA believes that the BEO is a key part to ensuring the competitiveness of the HK as a maritime port.

(12) Have there been any material changes in the forms or terms of VSAs since the 2022 Variation Order?

**【ASA Comments】**

- ASA found no material changes since the 2022 Variation Order.

*Other matters*

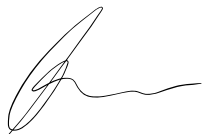
(13) Please provide any further information, views or evidence that you consider may assist the Commission in formulating a proposal on the future of the Order.

**【ASA Comments】**

- ASA firmly believes that the BEO is working well and the economic efficiencies and resulting consumer benefits resulting from Vessel Sharing Agreements (VSA) in HK to justify it.

Therefore ASA requests HKCC to renew the BEO.

Respectfully yours,

A handwritten signature in black ink, appearing to be 'Eleanor Roi', with a stylized, flowing script.

Eleanor Roi

Interim Secretary General

Asian Shipowners' Association