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Case No. BE/0004

Submission on Review of the Competition (Block Exemption for Vessel Sharing Agreements) Order 2017 (as varied)

The Hong Kong Shipowners Association Ltd. (HKSOA) appreciates the opportunity to respond to the Competition Commission's notice issued under section 20(2) of the Competition Ordinance regarding the proposal to vary and renew the Competition (Block Exemption for Vessel Sharing Agreements) Order 2017 (as varied) for a further period of five years.

HKSOA supports the proposed renewal. In HKSOA's view, the present block exemption framework continues to be justified on competition, efficiency and public interest grounds. The Order is working as intended, and the Commission's provisional conclusion that VSAs within the scope of the Order continue to satisfy the Efficiency Exclusion and that the Order remains merited and effective is well founded.

This submission adopts the same general approach as HKSOA's earlier submission, while setting out the case for renewal more fully and in a self contained way. The central point remains simple. Vessel sharing agreements are operational arrangements that help carriers provide wider coverage, better frequency, more reliable schedules and more efficient use of vessels and terminals, while continuing to compete on price and service. In a market shaped by alliance reconfiguration, geopolitical shocks, route disruption and strong regional competition, the legal certainty provided by the Order remains important for Hong Kong.

Market developments

1. Major developments in the liner shipping industry

The liner shipping industry has moved beyond the exceptional conditions seen during the pandemic period, but it has not moved into a period of stability free from disruption. Since the 2022 Variation Order, the sector has had to adjust to the end of the 2M Alliance, the creation of the Gemini Cooperation and Premier Alliance, the continuation and extension of the OCEAN Alliance, and continuing disruption arising from the Red Sea crisis, Panama Canal constraints, tariff uncertainty and wider geopolitical instability. These developments show that the market remains dynamic and exposed to shocks, which increases rather than reduces the value of lawful and efficient operational cooperation through VSAs.

The Commission's review records that the form and terms of VSAs today are fundamentally the same as when the Order was first issued and that VSA members continue not to engage in joint marketing or joint pricing of services. That is an important point. The underlying rationale for the Order has not fallen away. The same type of operational cooperation that was recognised as efficiency enhancing in 2017 and 2022 continues to exist today.

2. Impact of global developments

Global developments since 2022 reinforce the case for renewal. The Red Sea crisis led to diversions around the Cape of Good Hope, the Panama Canal suffered drought related restrictions, and more recent conflict in the Middle East has caused carriers to suspend or divert certain services. These events are exactly the kind of external shocks that require carriers to adjust deployment, schedules and slot use quickly and efficiently. VSAs provide an established framework for that kind of operational response.

The Commission also notes volatility linked to shifting United States tariff policies and inflation. In such conditions, it is important that carriers serving Hong Kong can continue to cooperate on operational matters within clear legal boundaries. The Order gives that certainty, while the conditions built into it ensure that the exemption does not extend to price fixing, market allocation or anti competitive capacity restrictions.

3. Developments at the Port of Hong Kong

The Port of Hong Kong has gone through structural change. The Commission notes the long term decline in Hong Kong's container throughput and the fact that Hong Kong ranked 12th globally by total container volume in 2024. At the same time, average weekly sailings and destination coverage showed recent improvement, and since 2022, 17 additional services with calls at Hong Kong have been introduced, around two thirds of them on intra Asia routes.

These facts matter because they show that Hong Kong's port position is changing, not disappearing. The port is becoming more important as a hub for regional carriers and intra Asia trade, with more frequent calls by smaller vessels and a broader service mix. In that setting, VSAs help carriers assemble viable networks, maintain frequency and offer route coverage that may not be sustainable on a stand alone basis. The Order therefore supports Hong Kong's practical competitiveness in the market segment where future growth and resilience may increasingly lie.

4. Impact on small and medium sized carriers

The Commission's own review highlights that Asia includes a large number of smaller players cooperating through VSAs, especially on regional routes, and that there is a significantly larger proportion of VSAs involving only small carriers on intra Asia routes than on intra Europe routes. This is a critical point for Hong Kong. A framework that works for major east west operators alone would not be enough. Hong Kong also needs a regime that supports participation by smaller and medium sized carriers in regional services.

For these operators, VSAs can be the difference between joining a trade and being shut out of it. They allow access to broader networks, shared slots, more regular sailings and more efficient use of vessels and terminals, without requiring each carrier to build a full service alone. In practical terms, VSAs can lower barriers to participation and help preserve a broader mix of operators in the market. That is pro competitive in effect, particularly on intra Asia trades served through Hong Kong.

Competition and efficiencies

5. Competition concerns remain limited

The Commission's provisional findings support the conclusion that Hong Kong shippers have not experienced reduced competition or reduced service quality since the 2022 Variation Order. The review states that VSA members still compete with each other and with non VSA members on price and other competitive factors such as customer service. This is consistent with the basic design of the Order, which exempts certain operational arrangements but does not permit price fixing, market allocation or cartel behaviour.

The data cited by the Commission also points in the same direction. Average weekly sailings increased by 33.3 percent and destination coverage rose by 6.5 percent from 2022 to 2023, and 17 new services have been introduced at the Port of Hong Kong since 2022. On the key trade routes, the major alliances have become less concentrated since the 2022 Variation Order due to industry reconfiguration, while the relevant trades remain fragmented with many operators, most with relatively small market shares. These are not signs of a market in which operational cooperation through VSAs has reduced competitive pressure.

6. Efficiencies and consumer benefits

The efficiencies generated by VSAs remain real and substantial. As the Commission explains, VSAs cover coordination of sailing schedules and port calls, exchange or cross chartering of space, pooling of vessels and equipment, capacity adjustments for joint services, and joint use of terminals and related services. These are practical operating arrangements that can reduce duplication, support network coverage and improve the use of scarce assets.

For shippers and cargo interests, the benefits show up in service frequency, route choice, schedule reliability and continuity of coverage during disruptions. For the port and the wider economy, the benefits include more efficient use of port infrastructure and the ability to sustain a broader range of services into and out of Hong Kong. In

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present market conditions, these are not abstract efficiencies. They are central to keeping Hong Kong connected and commercially attractive as a maritime hub.

7. Sustainability and efficient resource use

VSAs also support more efficient deployment of vessels, equipment and terminal resources. That can reduce duplication and improve asset use across services, which in turn can contribute to lower congestion and better use of port capacity HKSOA-HKCC-Consultation-on-BEO-public. In a policy environment where Hong Kong is seeking to strengthen its position as an international maritime centre and to advance green and smart port development, it is sensible to preserve a framework that supports operational efficiency.

The point should not be overstated, but it is a real one. A regulatory framework that allows carriers to organise services efficiently, within clear competition safeguards, is more compatible with efficient fuel use and better asset planning than one that forces unnecessary duplication of service structures. The Order helps create that framework.

Regulatory context

8. Other jurisdictions

The Commission notes that since the 2022 Variation Order, Singapore renewed its block exemption order for liner shipping agreements from 1 January 2025 to 31 December 2029, and Malaysia approved a new block exemption order for VSAs for five years, subject to conditions. This confirms that key Asian jurisdictions continue to recognise the need for a sector specific framework for liner shipping cooperation.

The fact that the EU and UK allowed their consortia block exemption regimes to expire in 2024 does not point to a different result for Hong Kong. As the Commission records, Hong Kong does not have the same level of alternative guidance and self assessment infrastructure, market conditions in Asia are different, and Asian regional trades involve a larger proportion of smaller carriers relying on VSAs. A decision not to renew would therefore not put Hong Kong in line with its closest competitors. It would instead risk making Hong Kong an outlier in Asia.

9. Hong Kong needs legal certainty, not a regulatory vacuum

The Commission's notice states that 11 of the 13 respondents to the initial consultation expressly supported renewal, and that HKLSA, as the original applicant for the block exemption order, provided information to assist the review. That broad support is unsurprising. In a global industry that plans services, vessels and network commitments well in advance, legal certainty matters.

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If the Order were allowed to expire, carriers would be forced into self assessment under a framework that was not designed specifically for the operational features of liner shipping in Hong Kong. That would create avoidable uncertainty, particularly for smaller and regional operators, and could discourage efficient cooperation that benefits the market. The better course is the one proposed by the Commission, namely renewal on the same substantive terms for a further five years.

Market share limit

10. Renewal should not be delayed by the question of the cap

The immediate issue before the Commission is whether the Order should be renewed, and HKSOA's clear position is that it should. Even on the current terms, the Order remains justified and effective, and the five year renewal proposed by the Commission is sensible.

HKSOA's earlier public submission argued that the market share cap should be removed in order to align Hong Kong more closely with international developments and competing ports. That remains a view that can properly be considered. However, the existence of a debate on the cap should not distract from the central and more urgent point that renewal itself is plainly warranted on the Commission's own findings.

11. If the cap is retained, the Order still remains valuable

The Commission has provisionally concluded that the current market share limit remains appropriate and that the Order should be renewed on the same substantive terms. Even if the Commission decides to retain the existing thresholds, the Order will continue to provide meaningful legal certainty and operational flexibility to the industry.

From HKSOA's perspective, the key point is that the block exemption should remain in place. That preserves a clear and workable framework for operational cooperation in liner shipping and avoids unnecessary uncertainty during a period when the market continues to face structural and geopolitical pressures.

Effectiveness of the Order

12. The Order remains merited and effective

The Commission has provisionally found that the basis upon which the Order was issued and renewed remains satisfied, and that the Order continues to be merited and effective. The review further finds that VSAs remain widely used by shipping lines calling at Hong Kong, with 71 of 150 services in 2025 operated under VSAs, including 100 percent of Europe services, 75 percent of Middle East and Africa services, 69 percent of Transpacific services and 39 percent of intra Asia services by service count. Those figures show that the Order continues to apply to arrangements of real and ongoing practical importance.

The same review also records that the Order's conditions continue to limit the exemption to defined operational cooperation and do not allow price fixing, capacity limitation as a cartel device or market allocation. In other words, the framework remains targeted. It permits what is useful and efficiency enhancing, and excludes what would be anti competitive. That is a strong indication of a regime that is functioning as intended.

Conclusion

For all of these reasons, HKSOA supports the Commission's proposal to renew the Competition (Block Exemption for Vessel Sharing Agreements) Order 2017 (as varied) on the same substantive terms for a further period of five year. The Order continues to promote operational efficiency, service reliability, network coverage and legal certainty, while preserving competition on price and service and supporting Hong Kong's role as an international maritime and transshipment centre.

In present conditions, renewal is not simply reasonable. It is necessary to maintain a clear and workable framework for the liner shipping services on which Hong Kong's traders, port users and wider economy continue to depend.