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Competition Commission,
19/F, South Island Place, 8 Wong Chuk Hang Road,
Wong Chuk Hang, Hong Kong

7 July 2026

Dear Sir/Madam,

<u>Competition Commission consults on proposed renewal of block exemption order for vessel sharing agreements</u>

In response to the request of Competition Commission (Commission) for providing inputs to the public consultation on 11 June 2026, The Hong Kong Shippers' Council's submission is attached.

Yours faithfully,

Peter Hui
Chairman

Copy : Mr. Sunny Ho, Executive Director

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The Hong Kong Shippers' Council

Submission to
the Competition Commission
July 2026

<u>Competition Commission consults on proposed renewal of block exemption order for vessel sharing agreements</u>

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The Hong Kong Shippers' Council Submission

In response to the request of Competition Commission (Commission) for providing a submission to the public consultation on 11 June 2026, The Hong Kong Shippers' Council (Council) wishes to submit our inputs as follows :

The table below, generated by AI, outlines the core differences between the arguments made by the Hong Kong Shippers' Council in November 2025 and the provisional findings published by the Competition Commission in its Notice of Proposed Variation (Renewal) of the Block Exemption Order (BEO) for Vessel Sharing Agreements in June 2026.

Dimension / Issue	HKSC Submission (November 2025)	Competition Commission Notice of Proposed Variation
Market Concentration	Argues concentration is exceptionally high and worsening, with major alliances and MSC dominating over 80% of global container capacity.	Provisionally finds combined alliance shares became less concentrated since 2022 on key trade routes due to alliance reconfigurations (e.g., MSC operating independently).
Freight Rates	Highlights massive, unjustified rate hikes (up to 70% General Rate Increases/Peak Season Surcharges) and a proliferation of non-transparent surcharges.	Concludes freight rates fell significantly toward the end of 2025 to 2023-levels. Acknowledges that recent spikes are driven by external geopolitical factors (e.g., the Iran War).
Service Quality & Reliability	Emphasizes that service reliability has dropped severely (overall index down to 44.21%). Accuses carriers of using "blank sailings" as an offensive commercial strategy to manipulate capacity.	Finds that shippers have not experienced reduced service quality. Points to a 33.3% increase in average weekly sailings and a 6.5% rise in destination coverage from 2022 to 2023.
Status of Hong Kong Port	Details a severe and sustained decline in liner shipping connectivity, with major global alliances aggressively removing direct calls from Hong Kong.	Views the port's drop in transshipment volume as a natural shift into a regional hub for intra-Asia trade, which

Dimension / Issue	HKSC Submission (November 2025)	Competition Commission Notice of Proposed Variation
Market Share Cap Rules	Demands that market share limits be applied to specific point-to-point routes rather than a "trade as a whole". Urges the Commission to lower the 40% cap.	Maintains that the current 40% combined market share cap (applied across trade lanes as a whole) remains necessary, appropriate, and fully sufficient.
The Future of the BEO	Have great concerns over the renewal.	Proposes a full 5-year renewal of the BEO (until August 2031), concluding it remains highly merited and effective, particularly to protect smaller carriers in Asia.
Regulatory Framework	Laments a critical "regulatory void" in HK and strongly advocates for a dedicated statutory body to enforce operational transparency from lines.	Dismisses general complaints about carrier behavior, noting that capacity management or pricing tactics do not relate specifically to the legal scope of VSAs.
Passing on Efficiencies to Shippers and Consumers	The Council strongly disputes this, stating that horizontal and vertical integration have allowed carriers to capture all efficiencies for themselves. They claim that shippers face persistently elevated freight rates, heavy surcharges, and deteriorating service levels, meaning benefits are not being passed down the supply chain.	The Commission concludes that VSAs continue to generate economic efficiencies that are ultimately passed on to users in Hong Kong.
Small- and Medium-Sized Carriers (SMCs)	The Council highlights that the BEO has failed to lower structural barriers for small and medium-sized carriers. They emphasize that large alliances retain absolute priority for berths and terminal spaces at Kwai Tsing due to volume guarantees, and no new small/medium carrier-led consortia have emerged in Hong Kong as a result of the Order.	A traditional justification for block exemptions is that they allow smaller carriers to cooperate and compete against larger market leaders.

Key points for the Council's Submission in July 2026 :

1. **Service quality has actually degraded**

   A higher frequency of smaller, delayed regional vessels does not mean better reliability or choice for deep-sea shippers. Nominal sailing increases are meaningless when global schedule reliability is at a dismal 44.21%, and ongoing structural failures, port-skipping, and erratic delays continue to disrupt factory production lines.

2. **Market operational capacity remains highly coordinated and anti-competitive**

   Market concentration has not truly improved. MSC alone commands over 20% of global market capacity, and independent entities frequently engage in extensive space/slot exchange agreements (like MSC sharing space with the Premier Alliance). These agreements allow carriers to coordinate capacity despite nominal changes in formal alliance structures.

3. **Point-to-point route market caps are urgently needed**

   Because Hong Kong is transforming into an intra-Asia regional hub, specific carrier consortia often hold near-monopolistic control over specialized port pairings. Evaluating competition by the "trade as a whole" dilutes these structural monopolies and fails to protect regional shippers.

4. **VSA frameworks allow carriers to exploit SME**

   Vessel Sharing Agreements (VSAs) provide the framework that allows large carriers to uniformly manipulate capacity through tactics like blank sailings. Because small-and-medium-sized shippers lack bargaining power, they are locked out of benchmark index rates and forced to pay double or triple the costs just to secure a booking—meaning VSA "efficiencies" are not being passed down to consumers fairly.

5. **Any renewal of the BEO must be strictly conditional**

   If the Block Exemption Order is extended for another 5 years, the Commission must mandate that any VSA operating in Hong Kong regularly submit granular, route-specific capacity data and booking cancellation metrics to eliminate the current regulatory transparency deficit.