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Proposal of the Hong Kong Competition Commission to renew
the Competition (Block Exemption For Vessel Sharing Agreements) Order 2017

Submission of the Hong Kong Shipowners Association

Purpose

The Competition (Block Exemption For Vessel Sharing Agreements) Order 2017 (the "Order") will expire on 8 August 2022. The Hong Kong Competition Commission is consulting the Hong Kong Shipowners Association, among others, regarding the Commission's proposal to renew the Order for a term of four years. This submission sets out the views of the Association.

The proposal

Last year, the Commission commenced a review on whether the Order should be renewed. During the review, briefly, the following issues for consideration were put forward for public consultation:

- Have there been any major developments in the liner shipping industry since the issuance of the Order in 2017?

- Have there been any new competition concerns regarding VSAs since the issuance of the Order?

- What has been the impact of the COVID-19 pandemic on the liner shipping industry? What role have the vessel sharing agreements (VSAs) played during the pandemic?

- Have there been any changes with respect to economic efficiencies and the resulting benefits to consumers in Hong Kong owing to the VSAs since the issuance of the Order?

The Commission has provisionally concluded from the above review that the basis upon which the Order was issued remains satisfied (i.e. that the VSAs within the scope of the Order continue to satisfy the efficiency exclusion) and that the Order continues to be merited and effective. The Commission has proposed renewing the Order for a period of four years.

Our views

We agree that it is both desirable and necessary for the Commission to renew the block exemption order for VSAs.

At present, the VSAs continue to meet the essential criteria required under the Hong Kong Competition Ordinance for exclusion. The VSAs have contributed positively to enhanced services, port efficiencies, environmental benefits, and active competition in the industry. Whilst the VSAs allow for increased operational efficiency, the information sharing does not involve any commercial discussions that may give rise to any (new) competition concerns.

In the past couple of years, the VSAs have allowed shipping lines to use Hong Kong as a key port for operational efficiencies, transshipment to and from multiple service providers, service option flexibility for Hong Kong importers and exporters using multiple shipping lines, and the flexible use of assets, allowing shipping lines within their respective alliances to more efficiently utilize available vessels, containers, space, and equipment.

Indeed, VSAs are very common in many trades and in many parts of the world. If the block exemption order for VSAs in Hong Kong is removed, the Hong Kong economy will be adversely affected because for practical reasons, shipping lines will continue to operate under the VSA model – but may need to seriously consider relocating their cooperative operational arrangements to other ports more friendly to VSAs. In such circumstances, Hong Kong's status as an international maritime centre, as re-affirmed in the national Five-Year Plan and the Greater Bay Area development plan, and its long-standing position as a transshipment hub, will be undermined. This is obviously **not** in the interests of the Hong Kong economy, Hong Kong consumers and the community-at-large, given the economic contributions of the maritime and port sectors to Hong Kong.

Today, the global community is facing the pandemic and many other challenges. At this most difficult time for all, it is particularly important that public authorities and regulators, including **Hong Kong Competition Commission,** support international shipping, including the Hong Kong liner shipping sector, which keeps almost 90% of the world supply chains of all vital goods, such as fuel, food, daily items and medical equipment, functioning smoothly.

Therefore, we support renewal of the block exemption order for VSAs (for at least another four years as proposed by the Commission).

Hong Kong Shipowners Association
June 2022