



# THE HONG KONG SHIPPERS' COUNCIL

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By post and by email

Ms. Karen Leung  
Legal Counsel,  
Competition Commission,  
19/F, South Island Place,  
8 Wong Chuk Hang Road,  
Wong Chuk Hang, Hong Kong

18 May 2022

Dear Ms. Leung,

## **COMMISSION PROPOSAL TO VARY (RENEW) THE COMPETITION (BLOCK EXEMPTION FOR VESSEL SHARING AGREEMENTS) ORDER 2017**

In response to Competition Commission's notice of 5 May 2022 on review of the Block Exemption Order for Vessel Sharing Agreements, The Hong Kong Shippers' Council (Council) would like to submit the following representation:

### **The Review in General**

The Hong Kong Shippers' Council (Council) considers that the review has been conducted thoroughly and methodically. The review has covered all major areas of attentions, supported by sufficient information and analysis of proper reasoning. The review has correctly attempted to separate the impacts that are caused by the pandemic and the pre-pandemic situation, facilitating an objective analysis.

The followings are on specific points.

#### 1. Market Share Limit

Referring to point 69, 70 and 71 in your proposal. The Council agrees that maintaining the market share limit is necessary and important. The set limit of 40% should be the maximum allowed market share, so as to save room for at least two other players in the market.

#### 2. Market Composition

Referring to point 47, while the Commission considers that the market is only "moderately concentrated", we wish to stress that the three largest shipping lines account for over 50% of capacity in most main trades, and that particularly when supply in the market is tight, any of these big lines could impact the market in significant ways.

### 3. Review Period

Referring to point 86, 88 and 89. The Council agrees to the need of shortening the review period to four years as a condition in the second Block Exemption Order (Order). In the last two-and-a-half years, the shipping market was totally distorted by the pandemic. When ships were full all of the times and freight rates stay at exceptionally high levels, there is no environment for competition, or even normal operations. It is hoped that the pandemic could be over eventually and proper review could be conducted into VSAs' competition behaviors when the review is due.

### 4. Fair Share Condition

Referring to point 65. Your Commission stated that freight rates remained stable in the pre-pandemic period. It actually entails that savings from VSAs have never been passed onto users of the services, and hence consumers. In Council's opinion, the VSAs could hardly fulfil this condition.

### 5. Environment Benefits

Referring to point 83. The Council agrees that it is not necessary to include environmental issues in the review. Indeed, shipping lines are compelled to adopt environment enhancement measures of other regulatory authorities especially those of International Maritime Organization and a lot of national authorities, which is irrelevant to the Order.

Thank you very much for your attention. Should you have any queries, please contact:

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The Hong Kong Shippers' Council

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Yours faithfully,



Willy Lin  
Chairman

