International Transport Forum

Evaluating the EU Consortia Block Exemption Regulation for liner shipping

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OECD

Outline

- What is the EU Consortia Block Exemption Regulation (BER)?
- Which developments should the evaluation take into account?
- Implications for the BER?

Our perspective

What is the Consortia Block Exemption Regulation?

- Exemption from EU competition law, specific for liner shipping, time-bound (five years)
- In place since 1995; big revision in 2009
- Allows for operational cooperation, but also joint negotiation, information exchange
- Applies to consortia up till 30% market share
- Only if: it results in transport efficiencies, benefits are transferred to consumers, it does not affect competition, no other alternatives

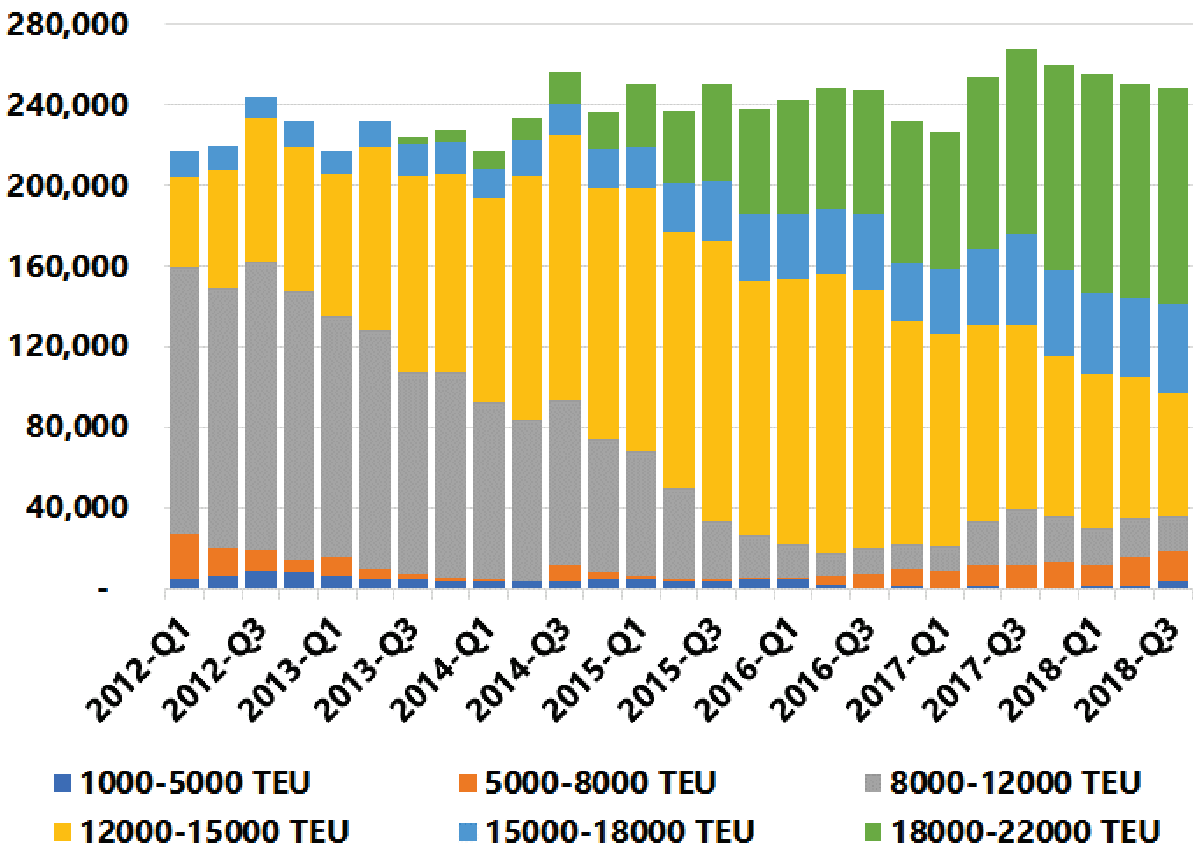
Evaluation of the BER

- BER expires in April 2020
- What to do then? Continue, repeal or revise?
- Does it still make sense to have a BER?
- Evaluation process started mid-2018
- Consultation September-December 2018
- Stakeholder meeting ITF/OECD: February 2019
- EC: “decision by second half 2019”
- Criteria for evaluation: effectiveness, efficiency, relevance, coherence, value added

Developments to take into account

1. Ship size
2. Concentration
3. Limited differentiation
4. Vertical integration
5. Oligopoly and monopsony

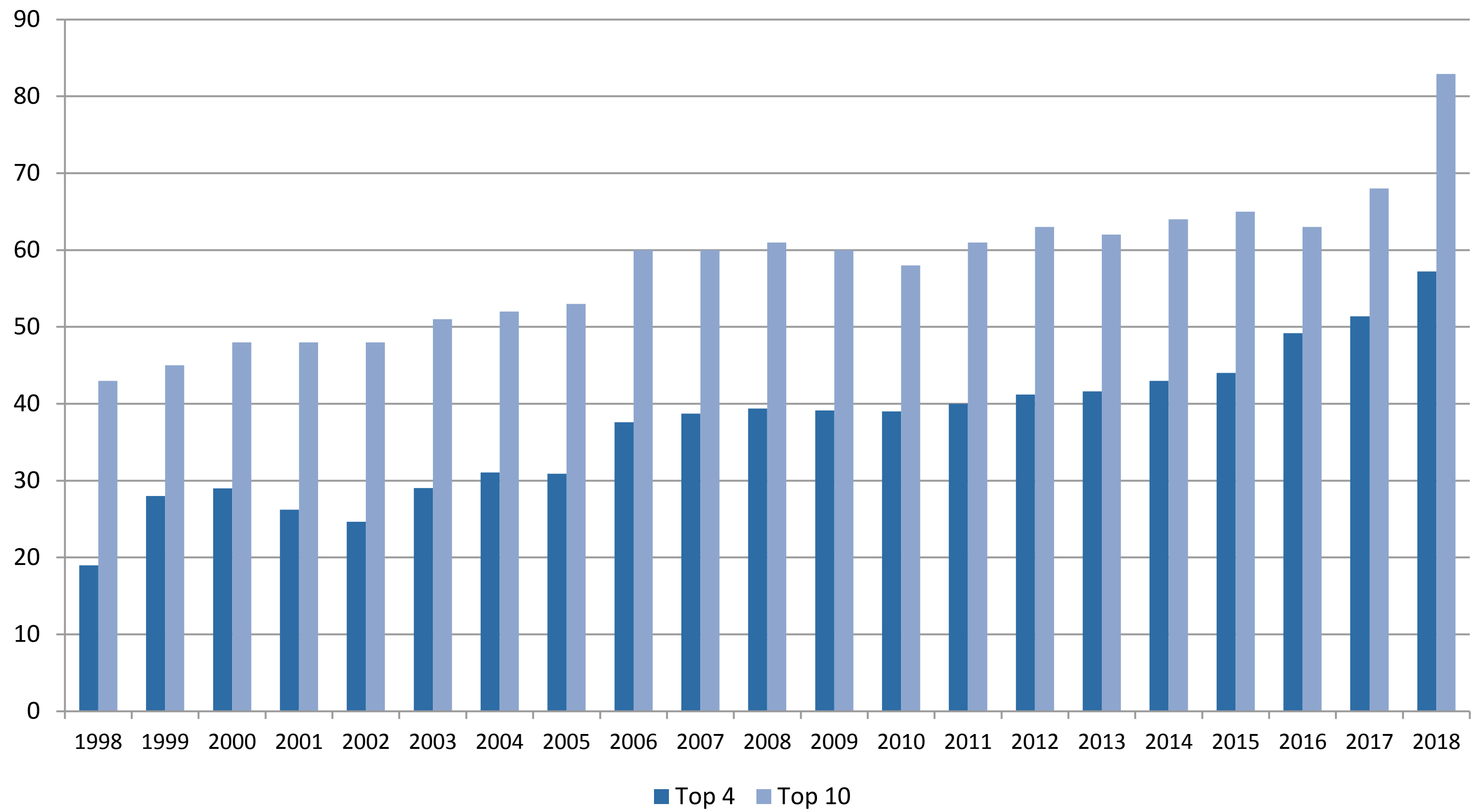
1. Ship size Asia-North Europe



Source: Sea Intelligence

2. Concentration (global carrier capacity)

Capacity market shares global carriers (1998-2018)



Source: Alphaliner

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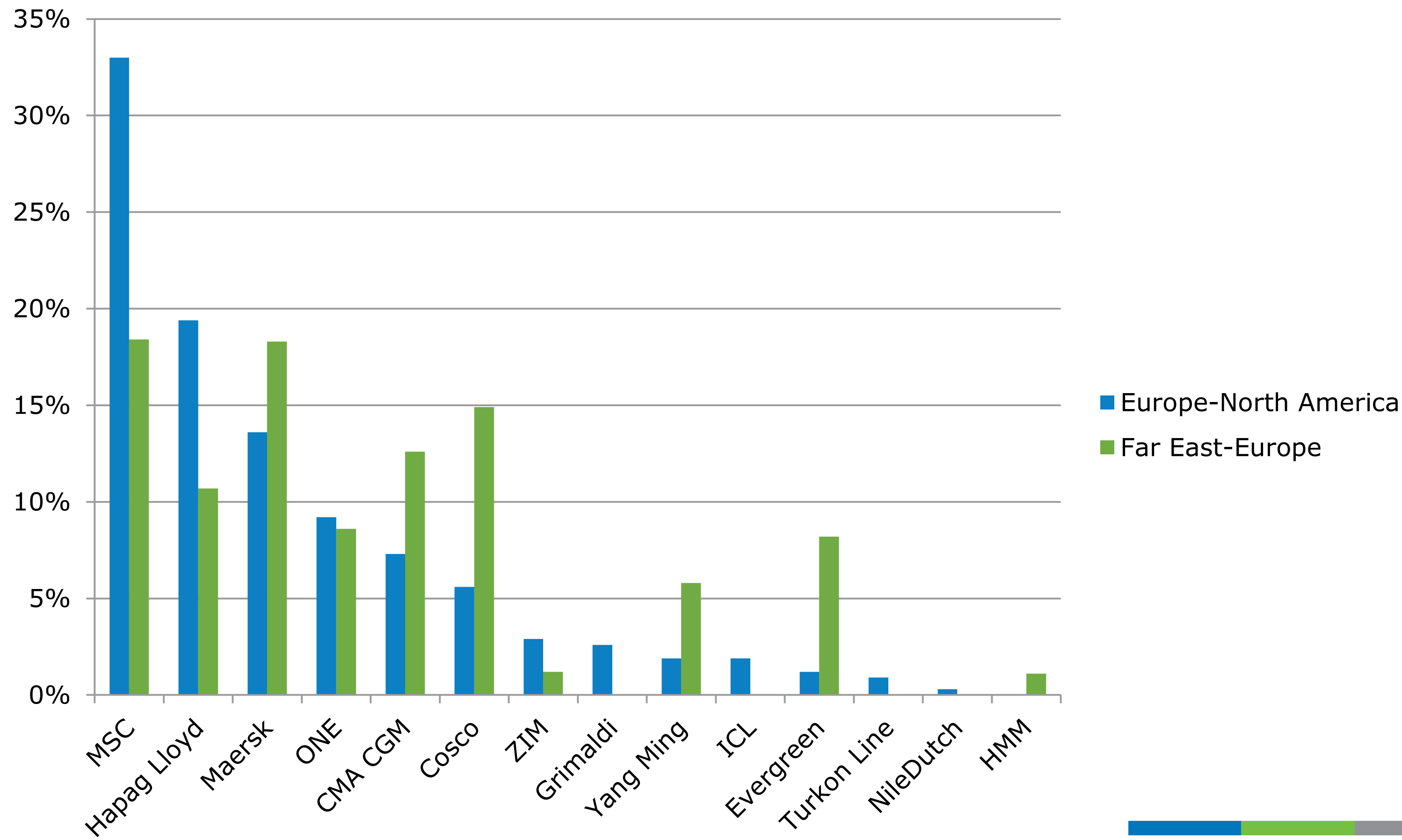
2. Concentration (ship capacity per trade lane)

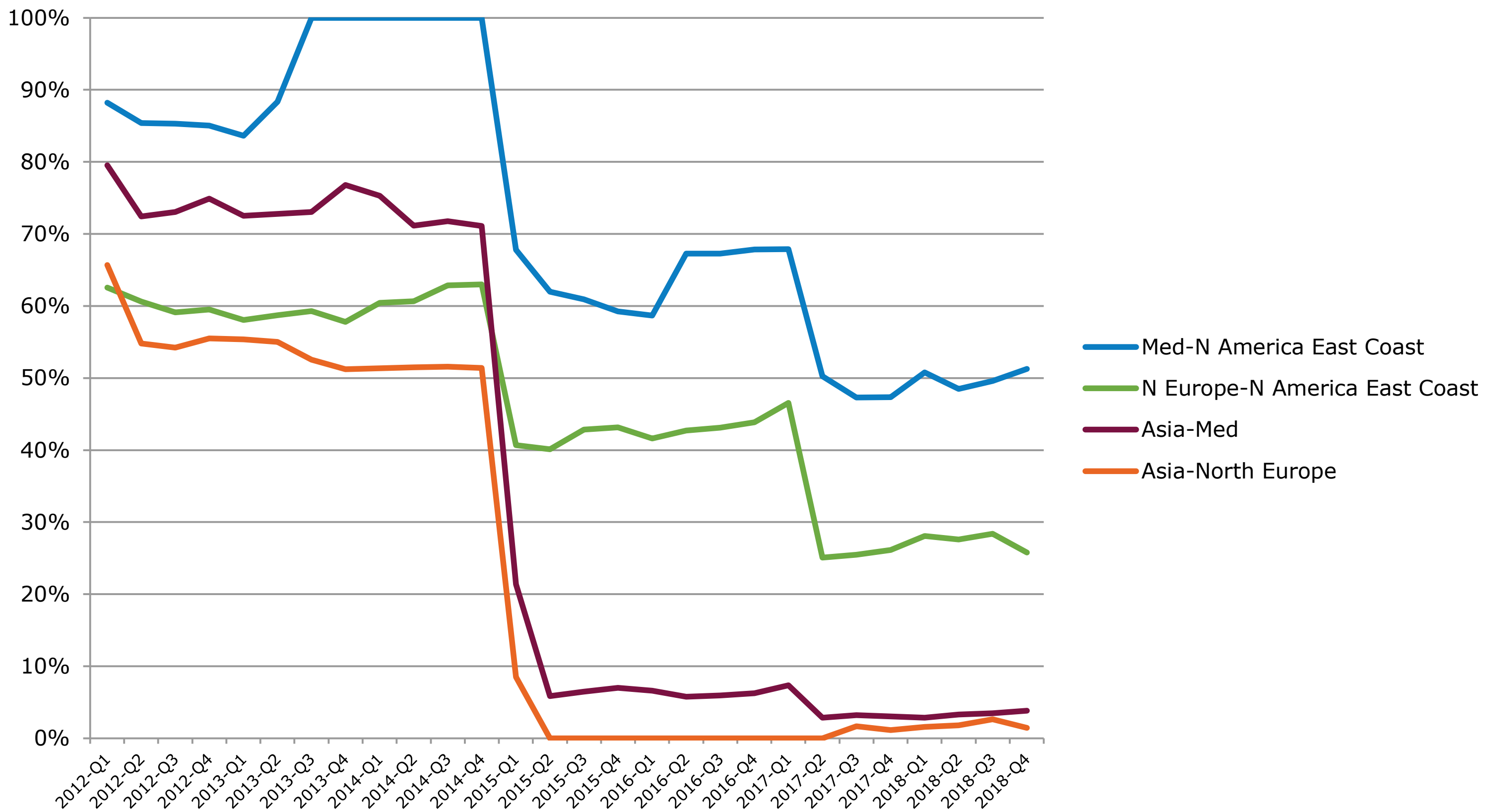
Far East-Europe and Europe- North America (February 2019)



Source: Alphaliner

2. Concentration (alliances)

Share non-alliances in East-West trades (2012-2018)



Source: Sea Intelligence

3. Less differentiation

Alliances provide less choice and service differentiation

Scheduled transit time Shanghai to Rotterdam/Antwerp per carrier (2012-2018)

Source: Sea Intelligence

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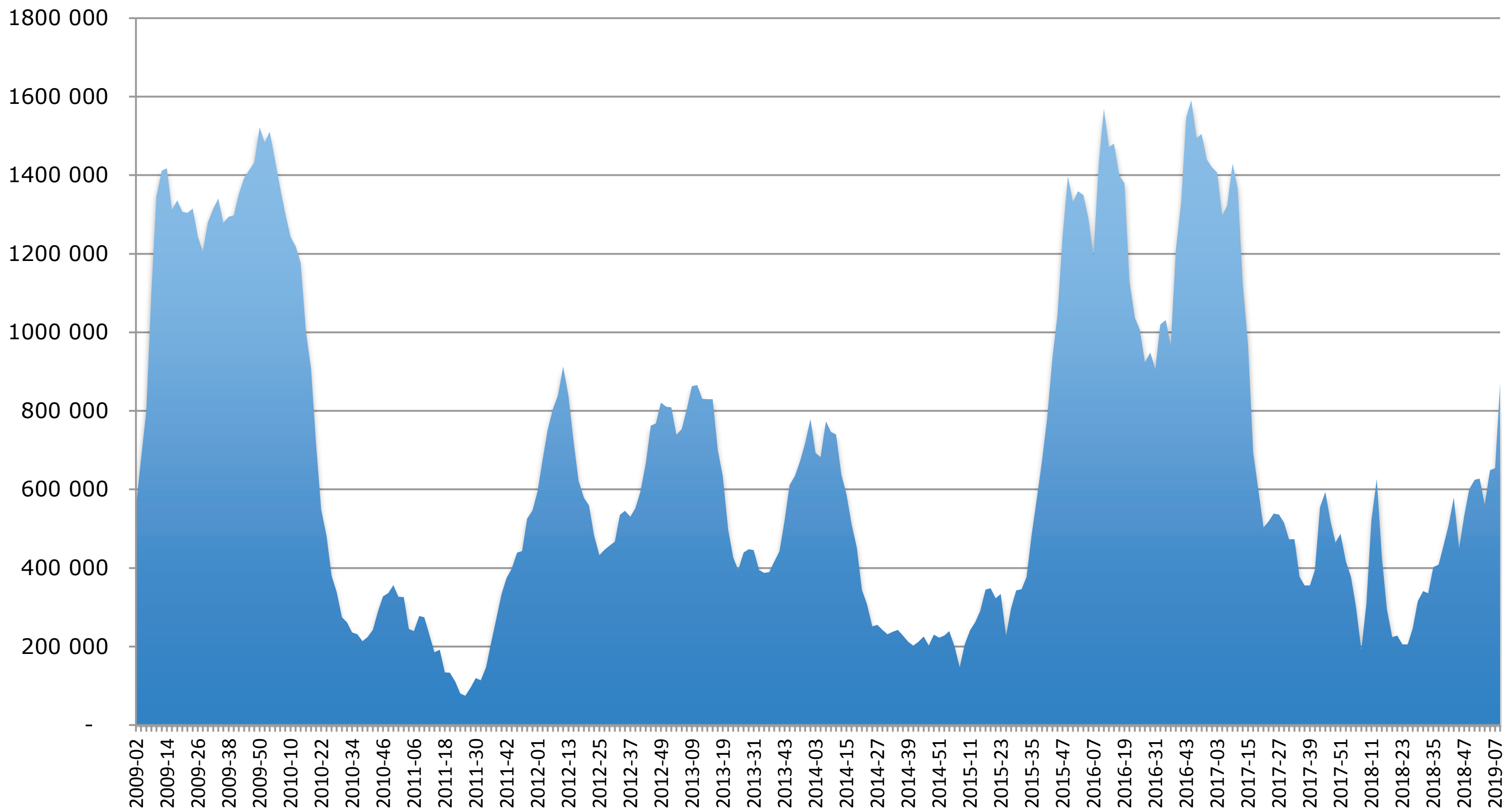
3. Differentiation: no better service quality

Idle containership fleet (TEU capacity, 2009-2019)



Source: Alphaliner

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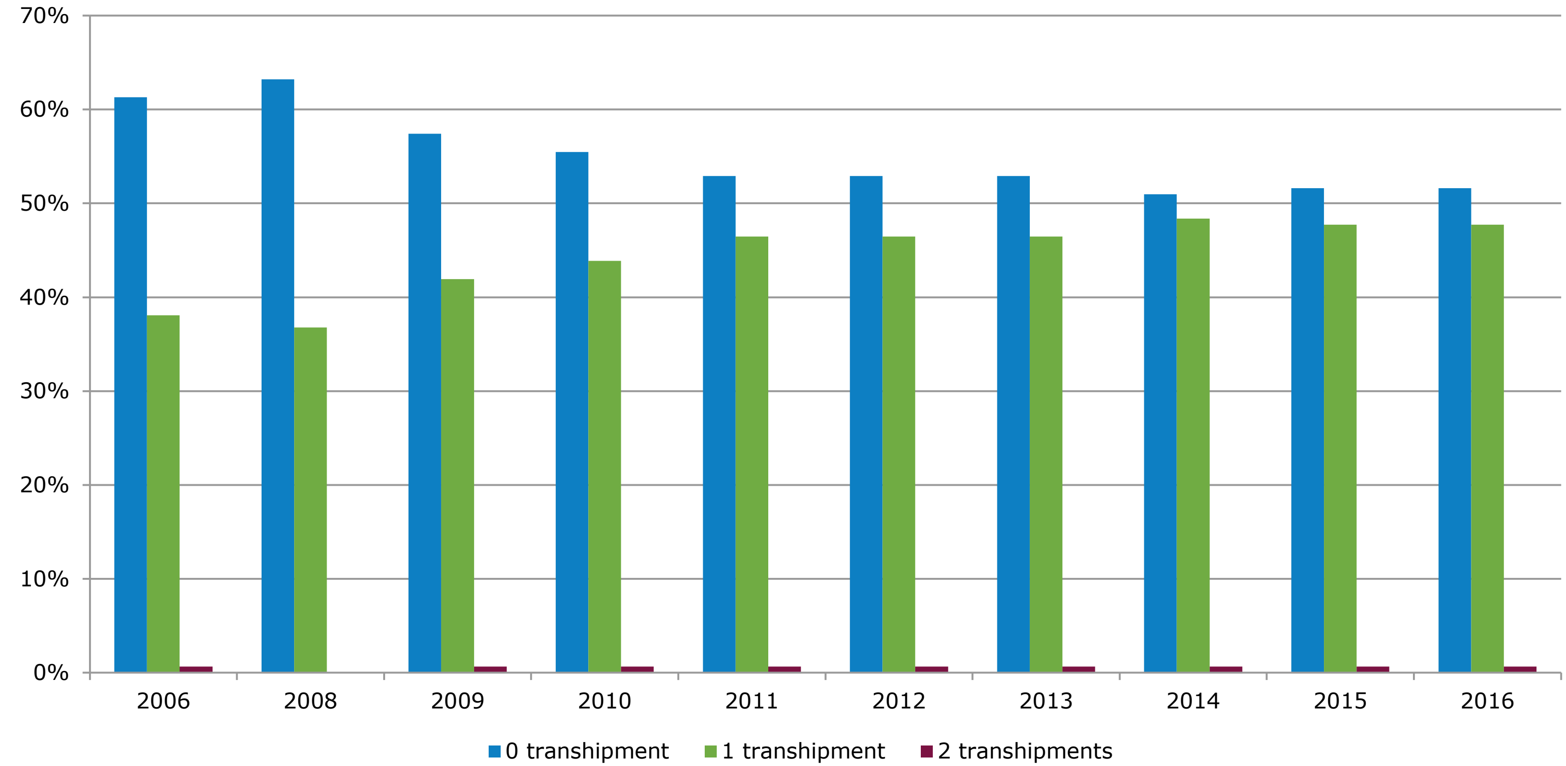
3. Differentiation: no better service quality

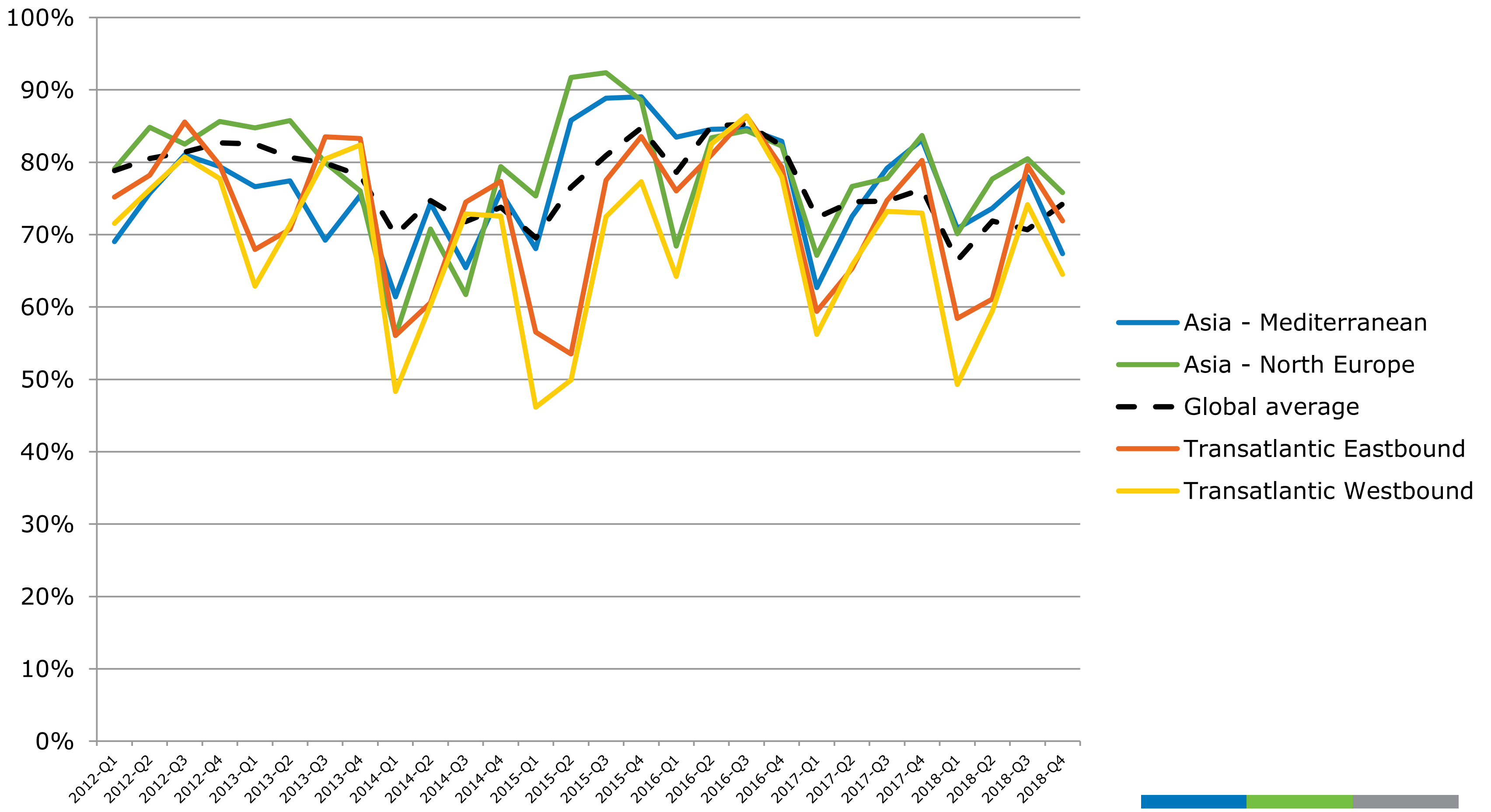
Share of countries that can be reached by German exporters with zero transhipment 2006-2016



Source: UNCTAD

3. Differentiation: no better service quality

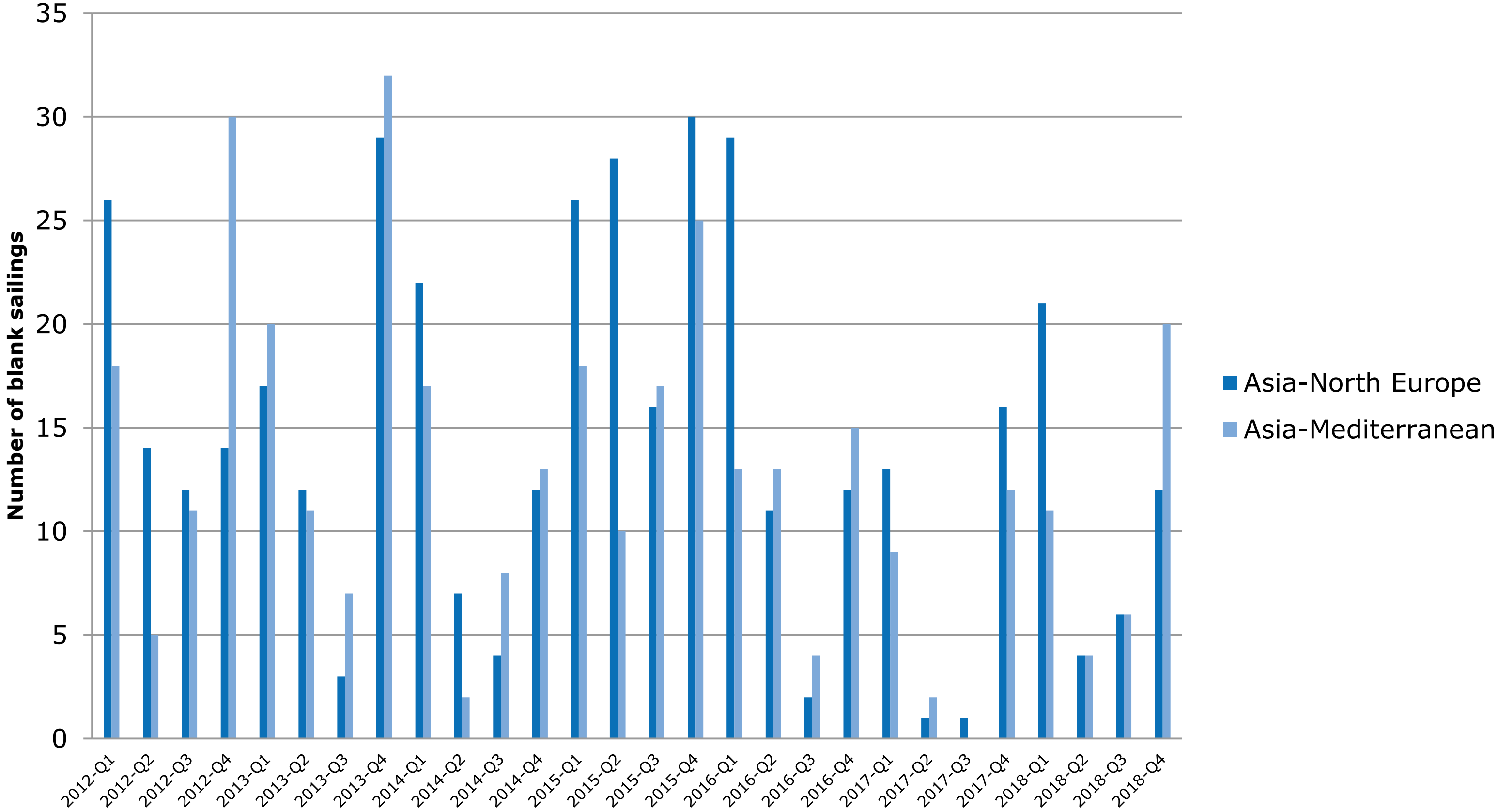
Schedule reliability on European trade lanes (2012-2018)



Source: Sea Intelligence

3. Differentiation: no better service quality

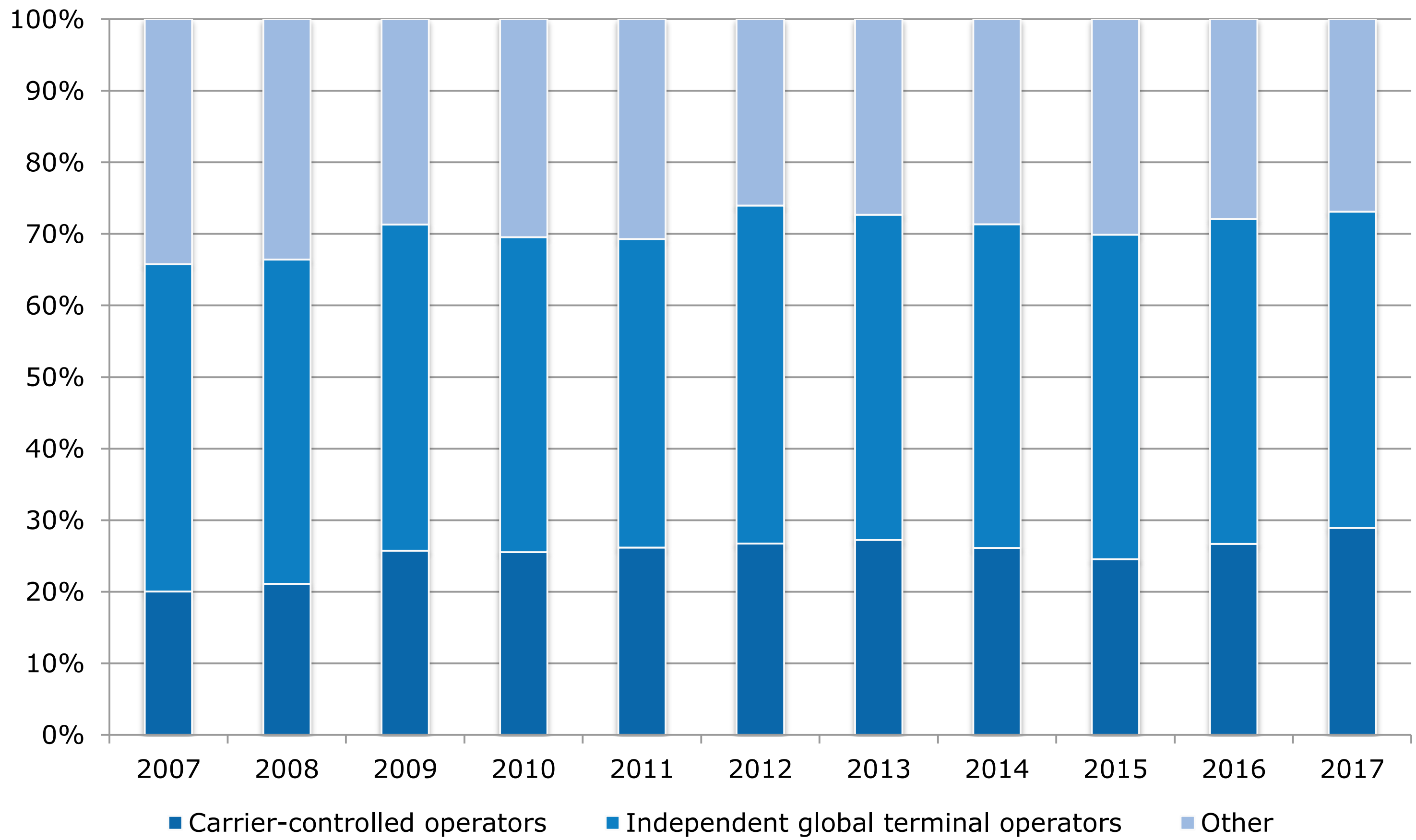
Number of blanked sailings on Asia-Europe trade lanes (2012-2018)



Source: Sea Intelligence

4. Vertical integration (terminals)

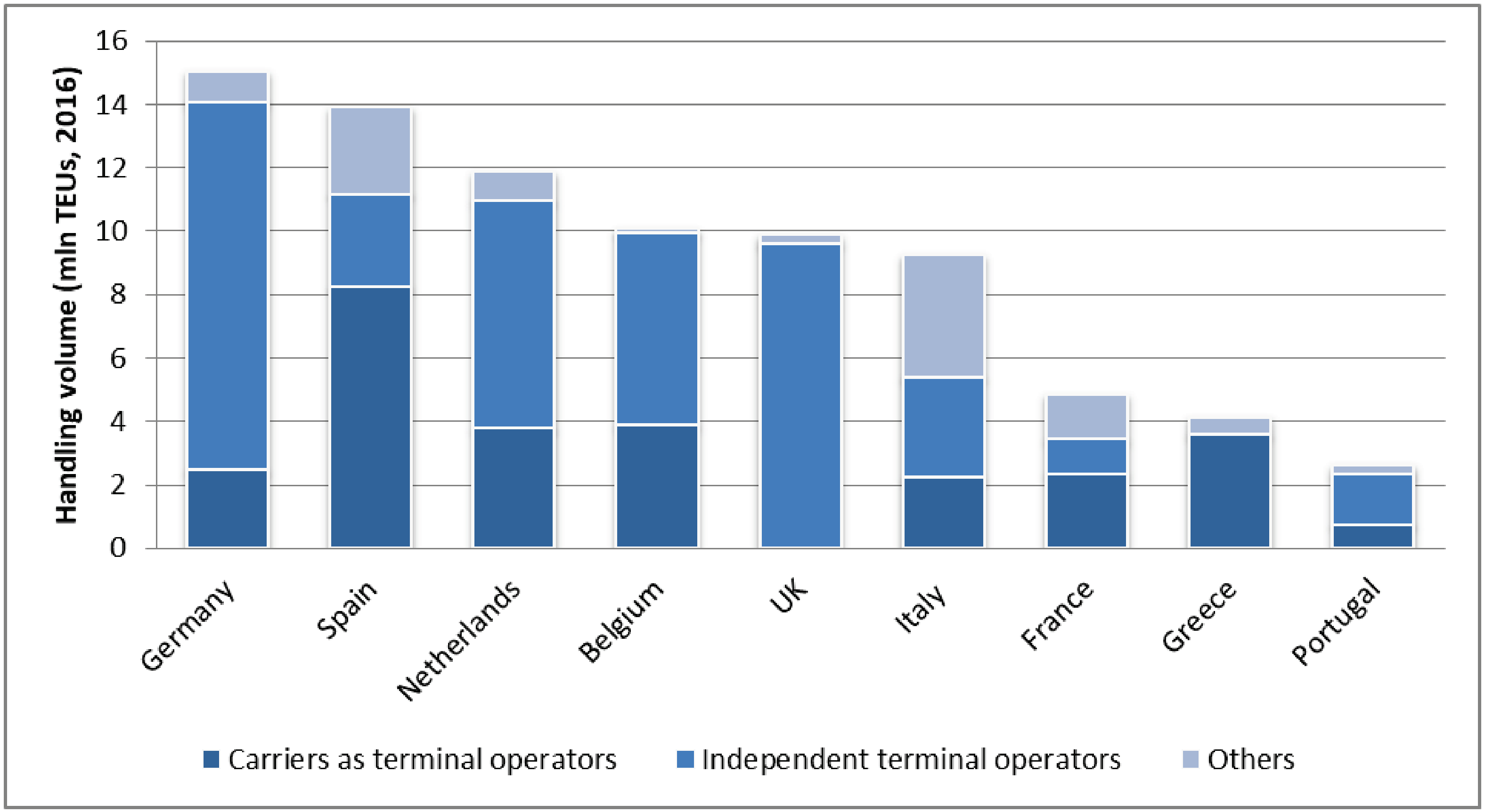
Types of terminal operators in Europe (2007-2017)



Source: Drewry

4. Vertical integration (terminals)

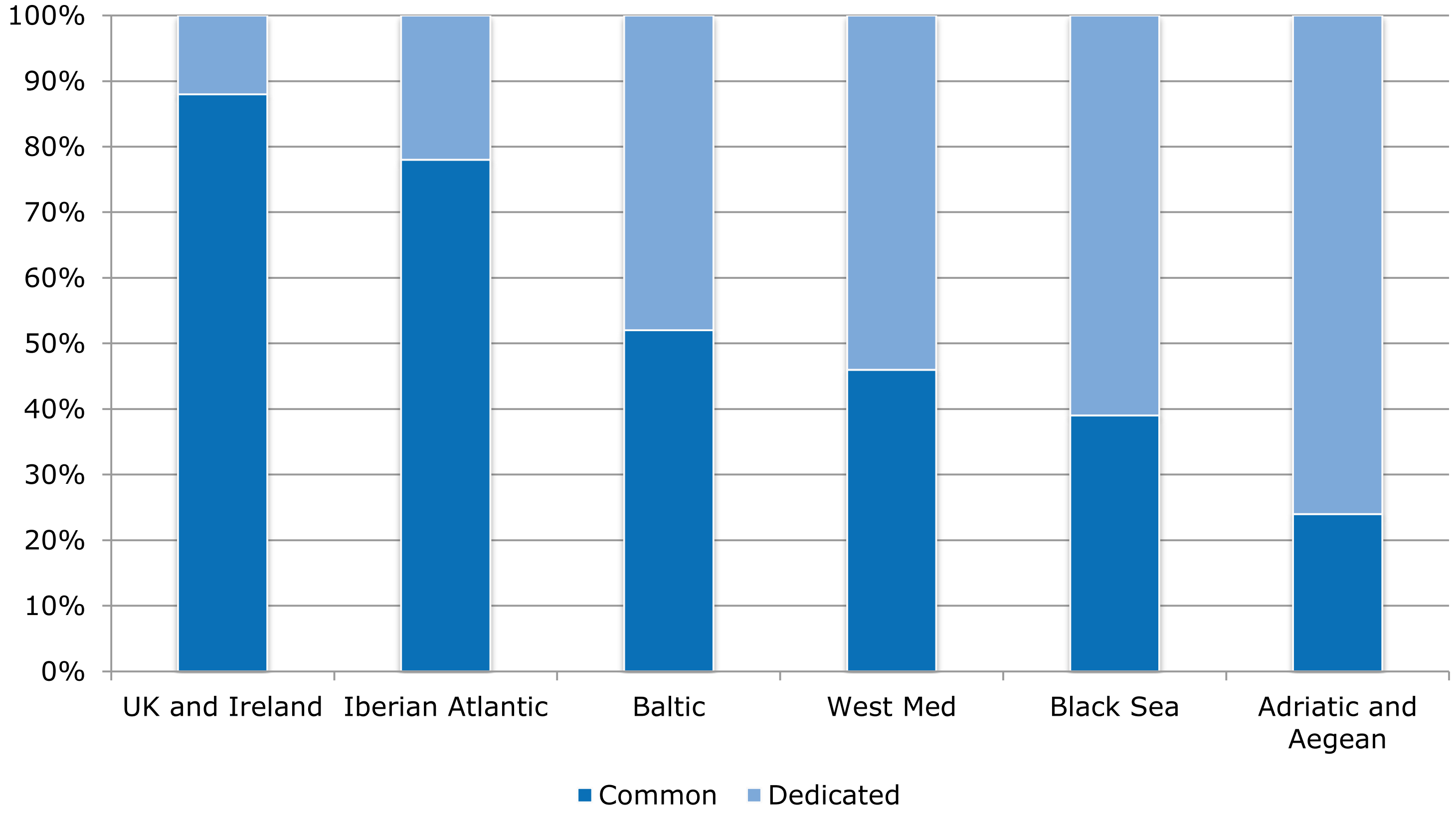
Types of terminal operators in Europe (2017)



Source: Drewry

4. Vertical integration (feedering)

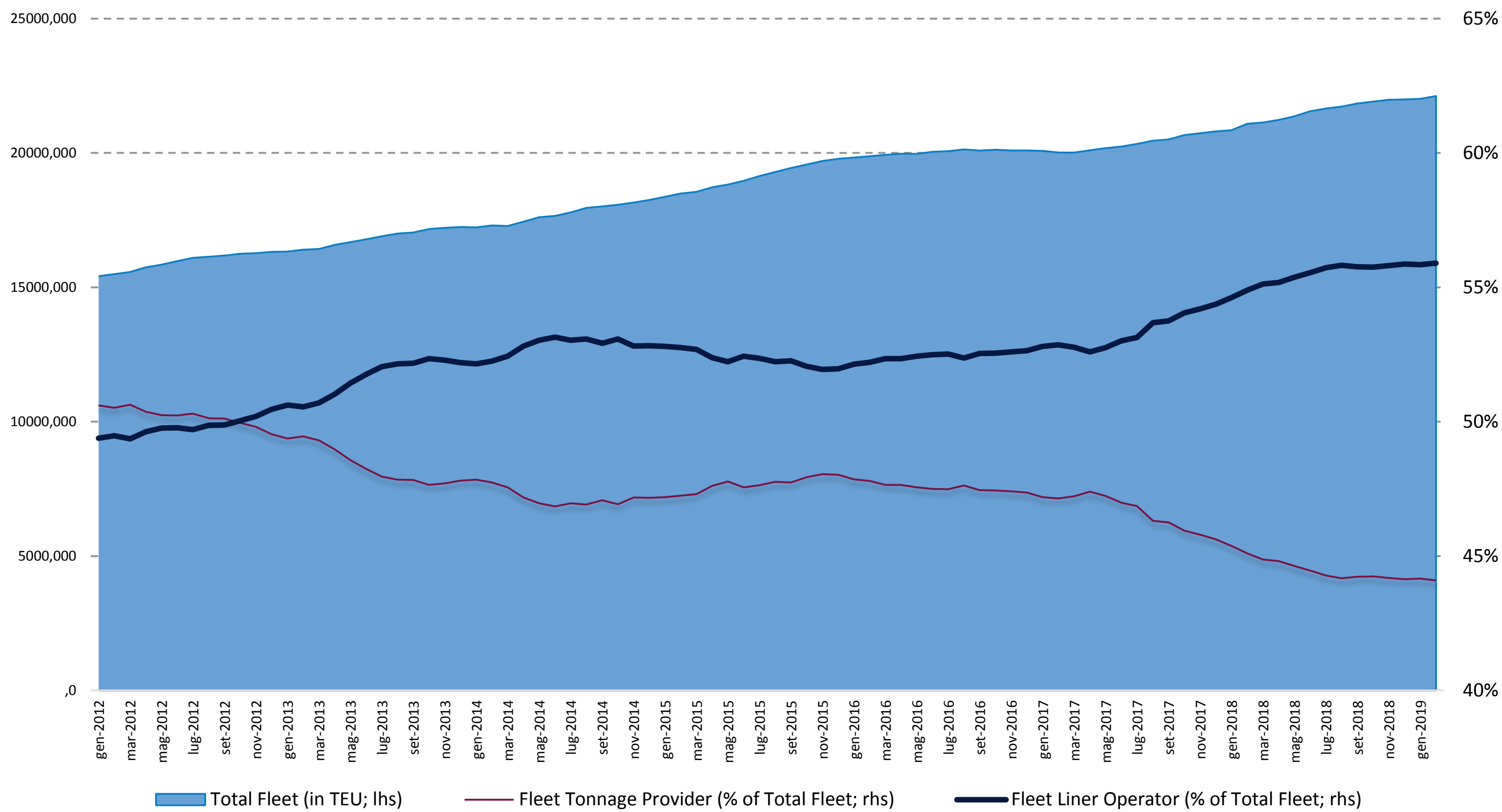
Share of common and dedicated operators in European regions



Source: Dynamar

4. Vertical integration (tonnage providers)

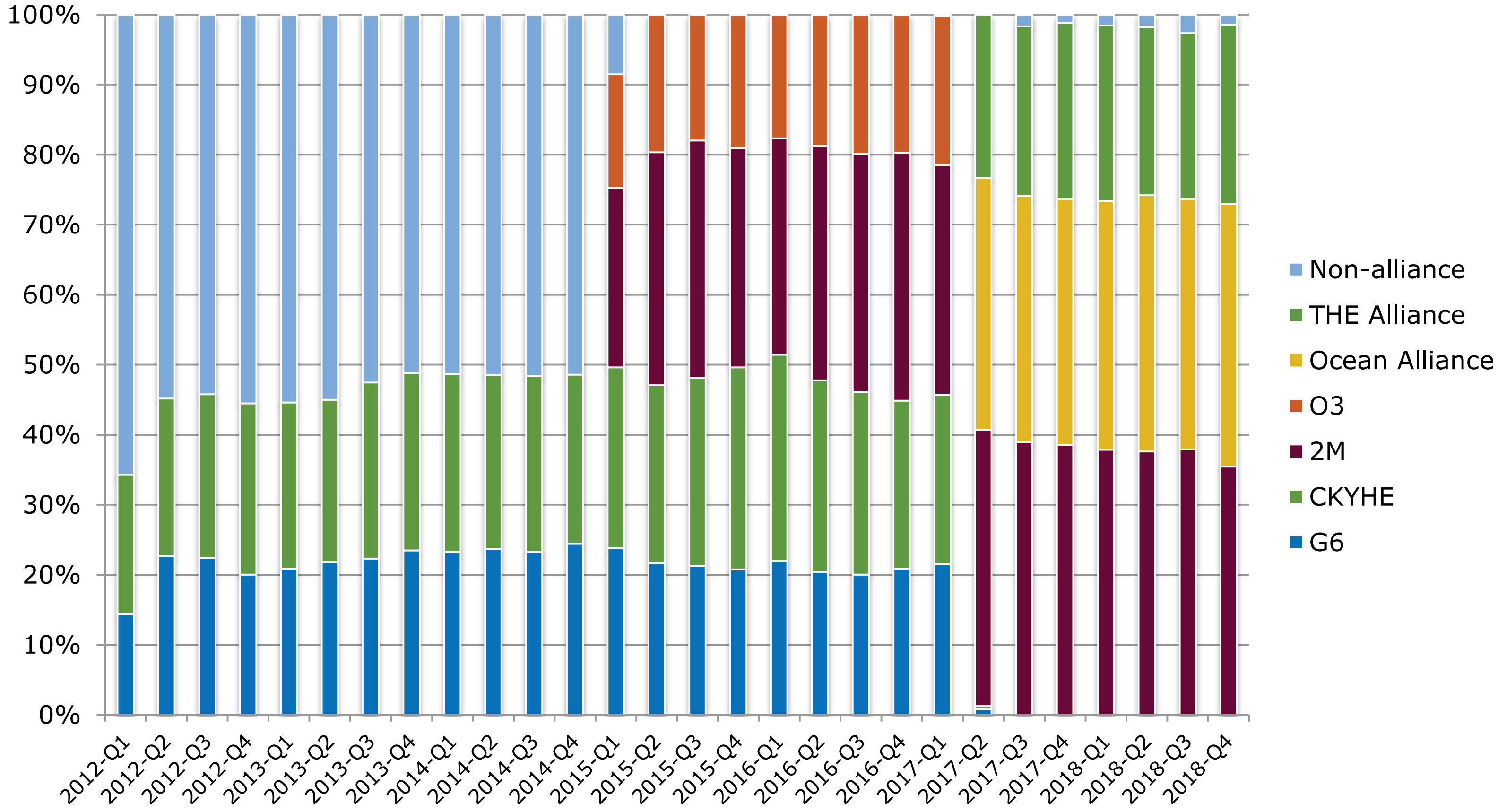
Share of container fleet provided by tonnage providers



Source: Alphaliner

5. Oligopoly

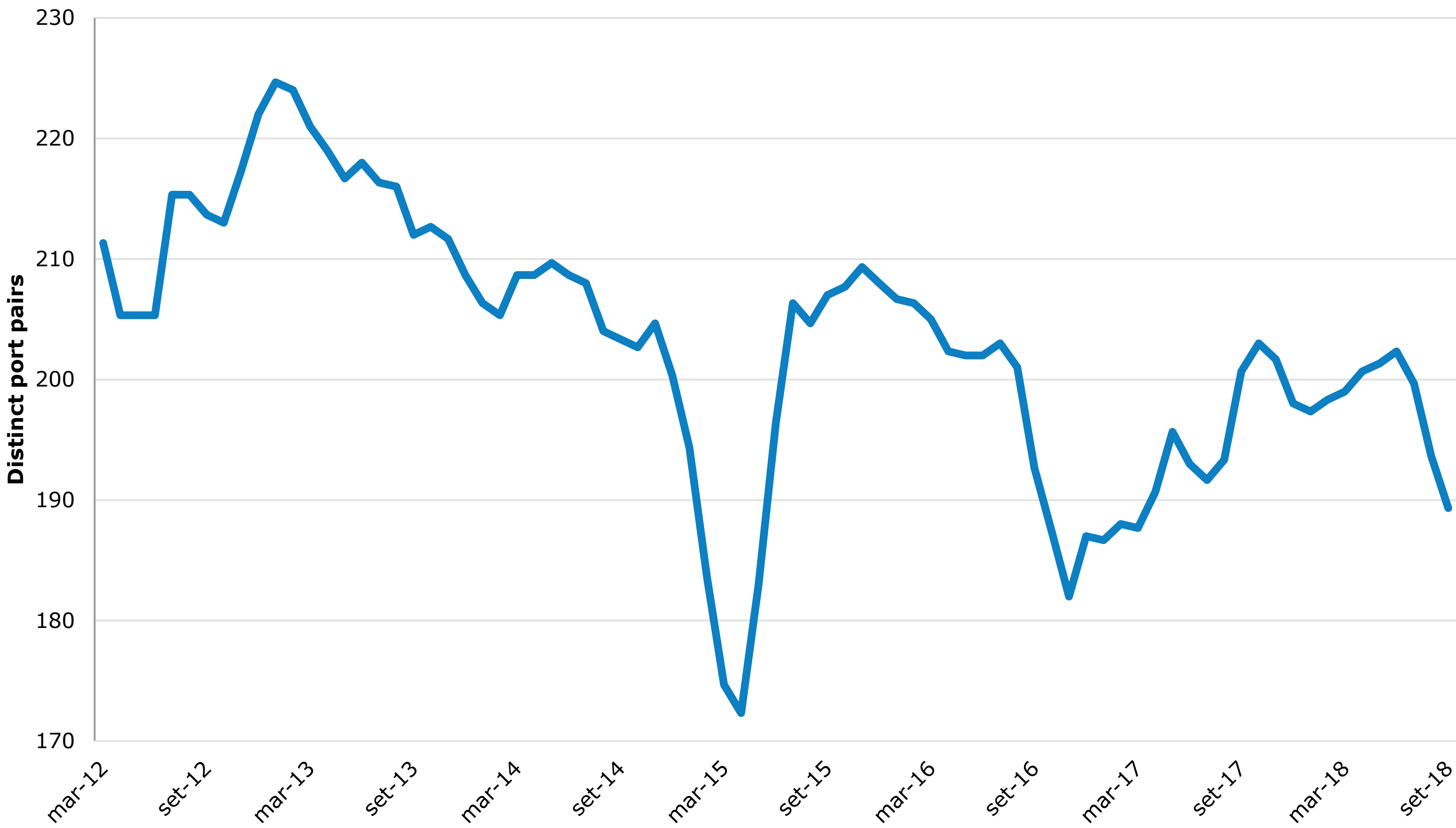
Market shares on Asia-North Europe trade lane, per quarter (2012-2018)



Source: Sea Intelligence

5. Oligopoly: less choice

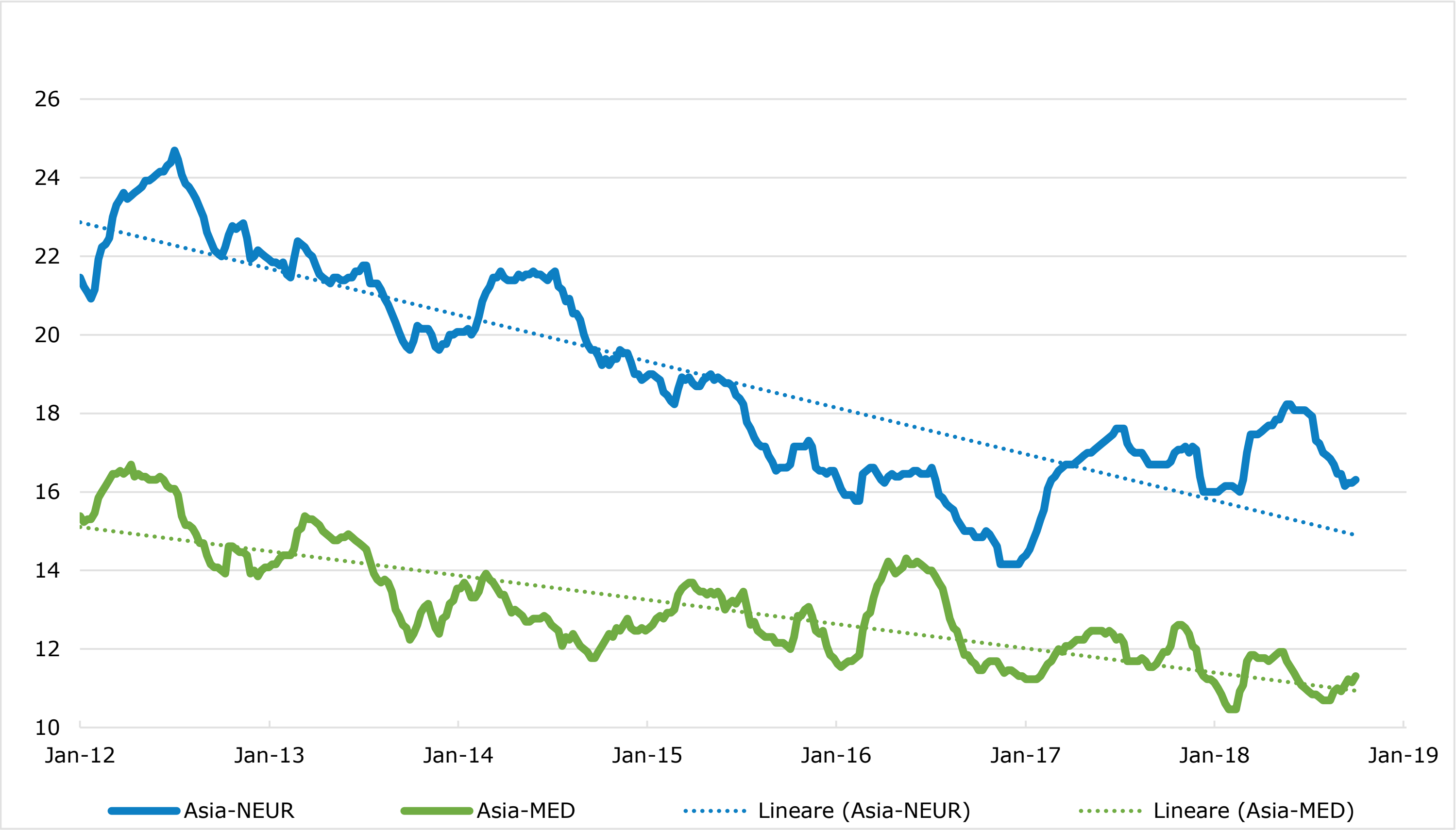
Distinct port pairs on Asia-North Europe services 2012-2018



Source: Sea Intelligence

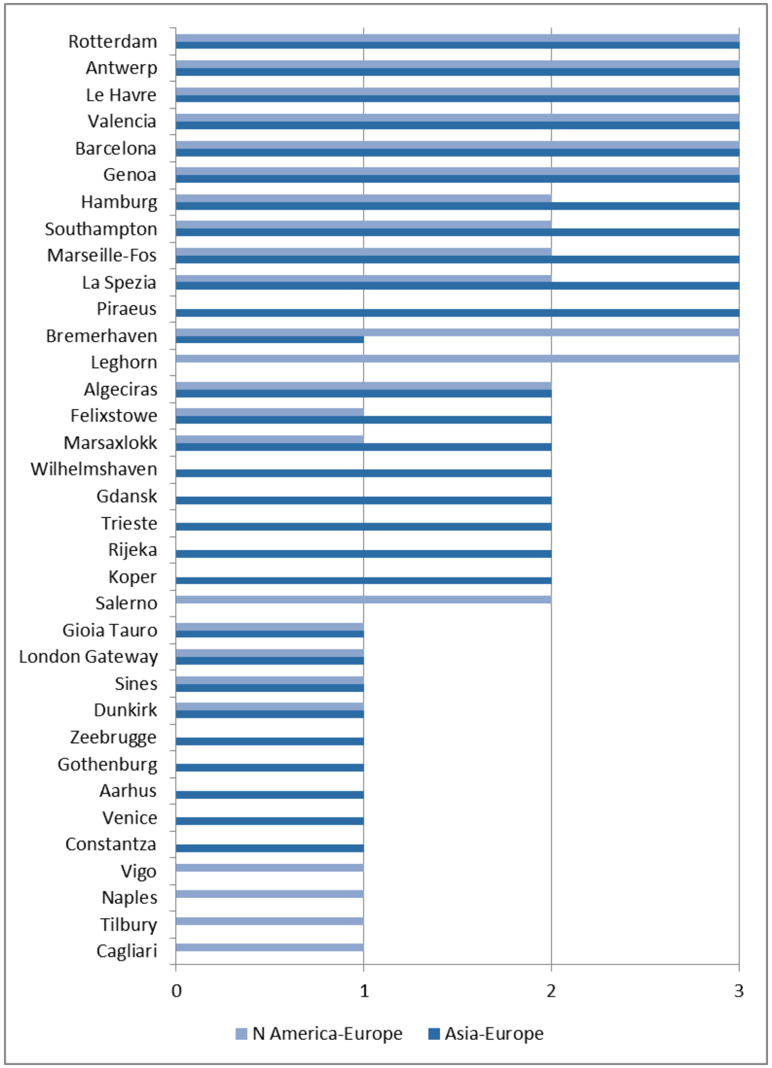
5. Oligopoly: less choice

Weekly service frequency on Asia-Europe trade lanes 2012-2018



Source: Sea Intelligence

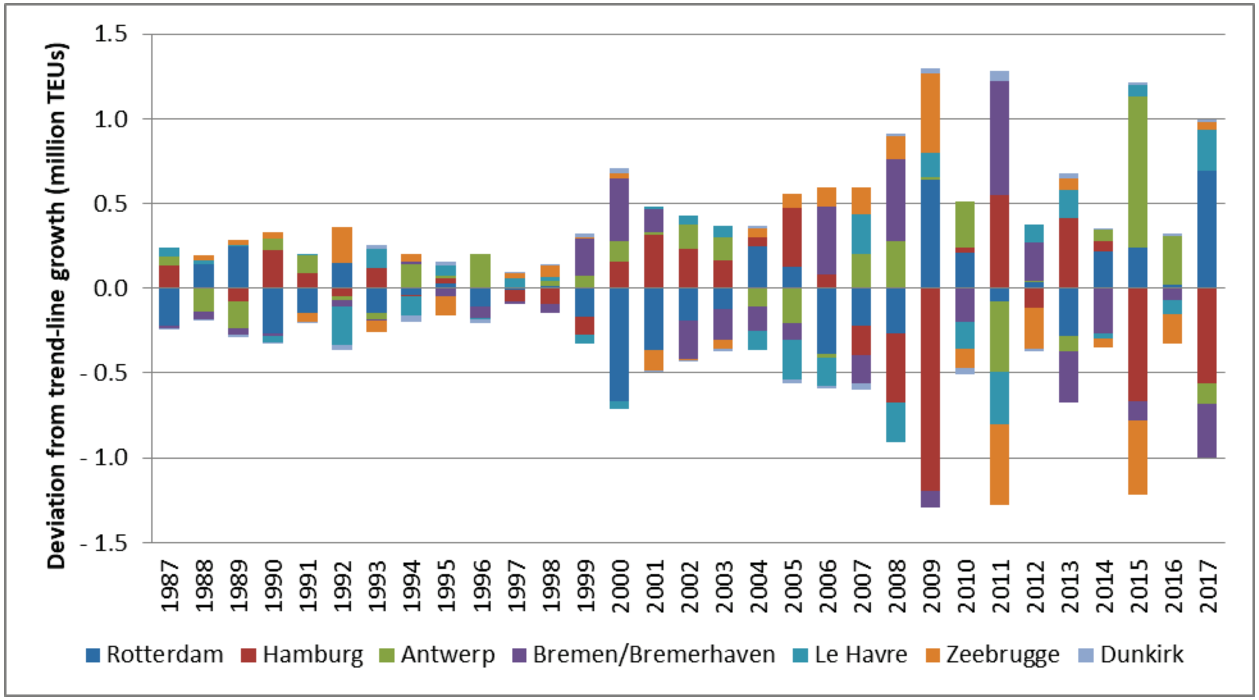
5. Monopsony (buying power)



Source: Sea Intelligence

5. Monopsony and the port system

Monopsony power of alliances, playing off ports against each other



Deviation from trend-line growth (million TEUs) (1987-2017)

Source: ITF 2018

Implications for Block Exemption Regulation?

Fundamental question:

- A special regime for liner shipping still justified?
- Many sectors have alliances, but not a special exemption from competition law
- Tendency: get rid of sector specific exemptions
- Individual exemptions can increase scrutiny
- Doubtful that four criteria that need to be fulfilled are still valid.

Implications for Block Exemption Regulation?

Issues to be dealt with:

- Performance monitoring
- Consultation with stakeholders
- Withdrawal clause
- Joint negotiation

Also other policies would be needed.

Implications for Block Exemption Regulation?

Improving legal certainty

- Clarify market share threshold
- Define market share in capacity terms rather than volume terms
- Market definitions that align to practice of shippers and ports
- Data on which alliances exist and are covered by the BER

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Thank you!

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