



Press release

CLECAT calls for urgent Sector Inquiry in the container shipping sector to remove unfair and discriminatory rules

Brussels, 17 February 2022 – European businesses continue to experience rising container shipping costs, a record low level of reliability and reduced choice of services. Massive freight rate hikes over the last 18 months have led to damaging inflation and increases in the Union's costs of living as recently identified by the OECD. The profiteering of ocean shipping carriers resulting from their capacity management strategy allowed them to acquire the market power and financial war chest that they are now using to vertically integrate, increase rates and drive out independent freight forwarders in the downstream market. New discriminatory conduct towards freight forwarders, the key organiser of service delivery across all modes of transport in door-to-door operations, will ultimately disadvantage shippers and end-consumers because of restricted choice in services and higher rates.

This is the key message of a letter to Commissioner Vestager in which CLECAT has asked the European Commission to use its powers of investigation urgently to establish the degree of concentration, consolidation, coordination, and cartelization in the upstream container liner shipping services markets serving the EU, and the downstream markets for freight forwarding services.

CLECAT calls on the Commission urgently to investigate under the EU competition rules, and in the context of the Consortia Block Exemption Regulation (CBER) review, the marketplace effects of the combination of the block exemption (leading to alliances and consortia to shift capacities between trade lanes), vertical integration, consolidation, control of data and the resulting market dominance. In particular, the Commission must investigate the skyrocketing rates which have led to the alliances' forecast profits of over \$200 billion during the Covid crisis despite the absence of any increase in their costs or any reason that can be attributed to the pandemic.

CLECAT notes today that the combination of these factors has enabled the carriers to cherry pick the highest volume shippers for longer term contracts and relegate the others to the spot market where they will pay multiples of the rates offered to the favoured few. Linked to this discriminatory strategy, freight forwarders are being 'disintermediated' in the process. In the meantime, the access to container capacity, carrier schedule performance and service reliability has further dropped.

Commenting on the call Nicolette van der Jagt noted: 'The vertical integration is particularly unfair and discriminatory as carriers - enjoying an exemption from normal competition rules - are using the windfall profits to compete against other sectors that have no such immunity.'

She continued: 'Consolidation is also problematic as fewer carriers lead to fewer service options, constraints on the supply of space and market dominance that, in turn, enable a few carriers to discriminate among larger BCOs, SMEs and Freight Forwarders—which then lead to higher rates for everyone. 90+ percent of world international trade moves by sea. Three alliances consisting of eight carriers now control 80% of that trade. This is an oligopoly charging oligopoly prices.'



Finally, also exclusive control of supply chain data and data standards through agreements among the same carriers, presumed by them also to be protected by antitrust immunity, gives them even greater control over the market. Exclusive control of access to this critical data platform reinforces their power to limit competition and enhances their ability to control rates not only for ocean shipping services, but also for end-to-end services up and down the supply chain. There are no limits on the exchange of information between service providers that are now being vertically integrated which makes information leakage into forwarding and inland distribution functions possible and inevitable.'

Ms van der Jagt concluded: 'The availability of these special privileges harms the relations between shipping lines and freight forwarders and their customers and takes away the trust which is so much needed at times of continuing congestion and disruptions.

'We regret that the Commission has so far ignored the important messages from many stakeholders who depend on a healthy maritime container logistics supply chain. CLECAT continues to call for new rules of the game, with more governance and oversight of carriers in accordance with normal competition rules so that carriers and forwarders can work together to provide the best possible service to shippers, without any one party having an unfair advantage, or trying to use such an advantage to drive the other out of business.'

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About CLECAT

CLECAT is the leading voice of freight forwarding, logistics and customs services at European level. Based in Brussels, we represent and are supported by 23 member organisations working to promote a sound approach to transport and logistics across Europe, in support of the competitiveness of our industry.

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