

# Competition in container shipping

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## **Competition in container shipping**

1. The Consortia Block Exemption Regulation is a tool of competition policy, not industrial policy.
2. Container shipping has become a less competitive market.
3. The CBER no longer applies to most consortia.
4. This requires a policy response.



## 1. CBER is a tool of competition policy

- It should contribute to improving the production or distribution of goods or to promoting technical or economic progress
- It should **allow consumers a fair share of the benefit** from the block exemption.
- It should not impose restrictions that are not indispensable.
- It should **not allow the complete elimination of competition** in respect to a substantial part of the relevant market.



## 2. Liner shipping: a competitive market?

### Characteristics of a competitive market:

- Many products, variety between competitors in quality and price
- Difficult to coordinate price or quantity between competitors
- Low switching costs between competitors
- Coordination on price and capacity by competitors generally does not work, because of price cutters that undermine this strategy.
- Many new entrants.

### Outcomes of a competitive market:

- Lower prices. Downward demand shocks would lead to downward prices.
  - Service improvements
  - More choice
  - Local bottlenecks will be avoided via diversion of flows.
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## 3. Application of CBER

- Privileges of CBER: information exchange, joint coordination of capacity management, joint negotiation.
- Under conditions: a threshold “should normally ensure that the agreements to which the block exemption applies do not give companies concerned the possibility of eliminating competition in a substantial part of the relevant market in question”.
- Art. 5 (1): “the **combined market share** of the consortium members in the relevant market (...) shall not exceed 30%”
- Art. 5 (2): “for the purposes of establishing the market share of a consortium member, the total volumes of goods carried by the member in the relevant market shall be taken into account irrespective of whether those volumes are carried within the consortium in question, within another consortium to which the member is a party, or outside a consortium on the member’s own or on third party vessels”



## Example of combined market share

<b>Trade lane X-Y:</b>	<b>Market share:</b>	
Operator A	30%	
Operator B	21%	
Operator C	19%	
Consortium 1 (A-B)	20%	(11% A; 9% B)
Consortium 2 (B-C)	10%	(6% B; 4% C)

Combined market shares:

Consortium 1: 77% (20%+30%+21+6%)

Consortium 2: 59% (10%+21%+19%+9%)

### 3. CBER no longer applies to most consortia

- Number of consortia on trade routes of North-Europe and Mediterranean with other regions: 43 in 2022-Q4; 59 in 2018-Q1
- Around half of these consortia (47%) have combined market shares of 30% or more in 2022-Q4; this was 31% of the consortia in 2018-Q1.
- **So: half of the consortia are not covered by CBER**

## **4. This requires a policy response**

- Reconsider the competition arrangements for liner shipping
- Improve competition monitoring (cross-border)
- More attention on fair competition in door-to-door container transport
- Increase transparency of rates and charges
- Collect performance information on the containerised transport chain.





**Thank you**

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