

COMPETITION COMMISSION OF SINGAPORE

PUBLIC CONSULTATION ON PROPOSED BLOCK EXEMPTION ORDERS RECOMMENDATIONS FOR LINER SHIPPING AGREEMENTS

Comments by



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Question:

What are your views on the proposal to extend the block exemption for another five years with no changes to the proposed scope of coverage?

Developments over the past year have merely reinforced our views that the block exemption should never have been extended to liner shipping, as it merely helps to perpetuate a system that is flawed.

With the conference system still intact for much of the world, what did we find?

1. Freight volatility, with trans-Pacific rates rising by over 180% over a one-year period to reach a five-year high in mid 2010
2. Service contracts that are not worth the paper they were written on as carriers arbitrarily imposed surcharges to compensate for revenue shortfalls
3. Delays in delivery arising from slow steaming
4. Container rollover when shipping lines intentionally withheld capacity when demand rose to create an artificial shortage to push up rates
5. Imposition of unexplained surcharges at short notice - peak season surcharges outside the traditional peak season and emergency bunker charges even when bunker prices are stable

With hardly any government oversight on the liner industry in Asia, lines are able to get away with it. There are more liner conferences in Asia than anywhere else in the world. Among the active ones are:

- Transpacific Stabilization Agreement (TSA)
- Asia West Africa Trade Agreement (AWATA)
- Intra-Asia Discussion Agreement (IADA)
- Informal Rate Agreement (IRA)
- Informal Red Sea Agreement (IRSA)
- Canada Westbound Transpacific Stabilization Agreement (CWTSA)
- Asia/Australia Discussion Agreement (ANZDA)
- Asia-West Coast South America Freight Conference (AWCSAFC)
- Canada Transpacific Stabilization Agreement (CTSA)
- Asia East Africa Trade Agreement (AEATA)

Has this resulted in a higher level of Asia vis-à-vis other major trading blocs such as Europe or the US? No

Is the level of surcharges higher in Asia than in Europe and the US? Most definitely

Among the surcharges that shippers have to pay are:

- Terminal Handling Charge (THC)
- Currency Adjustment Factor (CAF)
- Peak Season Surcharge (PSS)
- Advanced Manifest Security (AMS)
- Documentation fees
- Fuel Adjustment Factor (FAF)
- Container Sealing Fee (CSF)
- Container Imbalance Charge (CIC)
- Preferential loading charge
- No show charge
- Emergency Revenue Charge (ERC)

The rate spike, cancelled bookings, rolled cargo and container unavailability have prompted the US authorities to act. Following investigations into shippers' complaints, a new ocean shipping reform bill has been introduced in the US Congress. Sponsored by Congressman Jim Oberstar, Chairman of the House Transportation and Infrastructure Committee, and Rep. Elijah Cummings, Chairman of the Committee's Coast Guard and Maritime Subcommittee. Called the Shipping Act of 2010, it will remove the antitrust immunity for conferences and rate discussion agreements, and herald in a real marketplace that could see improvements in rates and service delivery to customers.

In Asia, governments have chosen to do nothing, even though Asian shippers have had to endure sharper price hikes and poorer service levels than their American counterparts over the past year.

We are told time and again that we should not waste a crisis. The crisis in the liner industry – brought about largely by over exuberance on the part of shipping lines in ordering more ships than needed – should prompt us to evaluate existing systems so that we will not repeat the same mistakes. The termination of the five-year block exemption this December presents the Competition Commission of Singapore (CCS) with a golden opportunity to move away from a dysfunctional system, even one that is a century-old.

No matter what the proponents may say, the conference system is unravelling, though the pace is slower than what we would have liked. In the 1980s, the closed conference system became a thing of the past. In the 1990s, the US Ocean Shipping Reform Act (OSRA) was introduced which provided US government oversight over liner shipping. In the new millennium, shipping conferences were outlawed in the European Union.

We believe the conference system will be consigned to history before this decade is out, as the collapse of the system in the US will precipitate similar developments elsewhere. As the economic crisis so graphically illustrates, we live in a globalised world and Asia is an essential part of it. By allowing the block exemption to lapse this December, Singapore can be a vital part of this process of change in liner shipping.

Background of Asian Shippers' Council

The Asian Shippers' Council (ASC) was formed on 13 September 2004, integrating shippers' councils in all of Asia into a single entity, and is a significant milestone to the shippers' councils' community in Asia.

ASC is driven and supported by all other regions in Asia, protecting and promoting the collective interest of Asian Shippers and serving as a counterweight to liner shipping conferences.

ASC is the Asian component of Global Shippers' Forum (GSF), including National Transportation League, European Shippers' Council and Canadian Industrial Transportation League. GSF serves as the global voice for shippers on major issues facing the international freight transportation industry. As we believe and recognize the benefit of joining forces and working together to advance shippers' interest, ASC will serve as the link to the Global Shippers' Movement.