



## MEDIA RELEASE

14 July 2021

### CCCS Consults on Proposed Recommendation for Block Exemption Order for Liner Shipping Agreements

1. The Competition and Consumer Commission of Singapore (“**CCCS**”) is seeking public feedback on its proposed recommendation to the Minister for Trade and Industry (the “**Minister**”), to extend the Competition (Block Exemption for Liner Shipping Agreements) Order (the “**BEO**”) for three years from 1 January 2022 to 31 December 2024, in respect of:

- (i) Vessel sharing agreements<sup>1</sup> for liner shipping services<sup>2</sup>; and
- (ii) Price discussion agreements<sup>3</sup> for feeder services<sup>4</sup>,

which will generate net economic benefit<sup>5</sup> for Singapore.

### Background

2. Section 34 of the Competition Act prohibits anti-competitive agreements.<sup>6</sup> However the Minister can make an order under section 36 of the Competition Act (Cap. 50B) (the “**Competition Act**”), following the recommendation of CCCS, to exempt certain categories of agreements from section 34. This is known as a block exemption.

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<sup>1</sup> Vessel sharing agreements are agreements between liners in which the parties to such agreements discuss and agree on operational arrangements relating to the provision of liner shipping services, including the coordination or joint operation of vessel services, and the exchange or charter of vessel space. Vessel sharing agreements include consortia, slot exchange agreements, slot charter agreements, joint service agreements, slot swap agreements and “alliances” or “strategic alliances”.

<sup>2</sup> Liner shipping services refer to the transport of goods on a regular basis between ports and in accordance with timetables and sailing dates advertised in advance.

<sup>3</sup> Price discussion agreements are agreements between liners in which parties to such agreements discuss certain commercial matters relating to shipping routes, including prices (or component of prices) and remuneration terms such as freight rates and surcharges charged to third parties (i.e. to customers such as shippers and freight forwarders).

<sup>4</sup> Feeders provide liner shipping services to main line customers by providing space on the feeder’s vessels for the containers (and cargos) of main lines, usually on regional trade routes between Singapore and ports where main lines do not serve (e.g. main lines operate larger vessels that may not be able to call at smaller ports).

<sup>5</sup> Section 41 of the Competition Act.

<sup>6</sup> Section 34 of the Competition Act prohibits agreements, decisions of an association of undertakings and concerted practices that have the object or effect of preventing, restricting or distorting competition in Singapore.

3. The current BEO, which expires on 31 December 2021, exempts certain types of liner shipping agreements (“**LSAs**”) from the prohibition against anti-competitive agreements under section 34 of the Competition Act, subject to certain conditions and obligations.
4. First issued in July 2006, the BEO was extended for five years in 2010 and 2015 respectively. On 28 August 2020, the Minister for Trade and Industry extended the BEO for one year until 31 December 2021, in view of the highly uncertain times brought about by the COVID-19 pandemic.
5. In assessing whether to recommend a block exemption order for LSAs, CCCS considered whether LSAs will generate net economic benefit. The assessment and proposed recommendation take into consideration survey returns and views from CCCS’s feedback sessions with key industry stakeholders such as industry associations, industry players (e.g. liners, freight forwarders, importers/exporters) and public sector agencies. CCCS also considered recent market developments in the liner shipping industry and the international regulatory landscape with respect to LSAs.

#### **Proposed recommendation**

6. In view that the following LSAs generate net economic benefit, CCCS proposes for the Minister to extend the BEO for (i) vessel sharing agreements for liner shipping services and (ii) price discussion agreements for feeder services, for three years (i.e., from 1 January 2022 to 31 December 2024). The duration, which is comparable to other jurisdictions, ensures that the BEO continues to be relevant and current to the liner shipping industry.

#### **Proposed recommendation (i): Extend the BEO in respect of vessel sharing agreements for liner shipping services**

7. CCCS has assessed that vessel sharing agreements for liner shipping services will generate net economic benefit for Singapore. Vessel sharing agreements among liners improve Singapore’s port connectivity and thus contribute to Singapore’s status as a major transshipment hub with consequent broader benefits to the economy. Vessel sharing agreements also enhance competition among liners, by enabling smaller liners to provide services that compete with larger liners or with another alliance of liners.

#### **Proposed recommendation (ii): Extend the BEO in respect of price discussion agreements for feeder services**

8. CCCS notes that main lines, which provide liner shipping services across continents and regions, have largely withdrawn from price discussion agreements. They have indicated that they are not seeking an exemption for such agreements and that there would be no impact on them whether there is exemption for such agreements.

9. However, price discussion agreements (in particular, on surcharges) remain relevant to feeders operating in Singapore. Feeders may discuss the recommended surcharges (e.g. fuel surcharge) charged to their main line customers to improve their position in commercial negotiations with main line customers. Feeders attract and anchor main lines to Singapore and thus expand Singapore's shipping network to support its transshipment hub.
10. Further, anti-competitive effects arising from the use of such price discussion agreements by feeders appear to be limited. Main lines are generally not concerned with such discussions as surcharges imposed by feeders are still subject to negotiation with main lines who are likely to possess bargaining power.
11. On balance, CCCS has assessed that price discussion agreements for feeder services will generate net economic benefit for Singapore.

### **Public Consultation**

12. CCCS is seeking feedback on the possible impact of its proposed recommendations on the Singapore economy, in particular on players in the maritime industry such as main lines, feeders, port operators, logistics service providers, as well as exporters and importers.
13. The consultation documents can be downloaded from the CCCS website at [www.cccs.gov.sg](http://www.cccs.gov.sg) under the section "[Public Consultation](#)".
14. The closing date for submission is 4 August 2021. Full details relating to the manner of response are included in the consultation document in the **Appendix**.
15. CCCS will make a recommendation to the Minister after it has considered the written submissions received during the public consultation.

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## **About the Competition and Consumer Commission of Singapore (CCCS)**

The Competition and Consumer Commission of Singapore (“CCCS”) is a statutory board of the Ministry of Trade and Industry. CCCS administers and enforces the Competition Act (Cap. 50B) which empowers CCCS to investigate and adjudicate anti-competitive activities, issue directions to stop and/or prevent anti-competitive activities and impose financial penalties. CCCS is also the administering agency of the Consumer Protection (Fair Trading) Act (Cap. 52A) which protects consumers against unfair trade practices in Singapore. Our mission is to make markets work well to create opportunities and choices for business and consumers in Singapore.

For more information, please visit [www.cccs.gov.sg](http://www.cccs.gov.sg).

### **For media clarification, please contact**

Ms. Grace Suen  
Senior Assistant Director  
Communications  
Competition and Consumer Commission of Singapore  
Email: [grace\\_suen@cccs.gov.sg](mailto:grace_suen@cccs.gov.sg)  
DID: 6325 8216

Ms. Nawwar Syahirah  
Senior Assistant Director  
Communications  
Competition and Consumer Commission of Singapore  
Email: [nawwar\\_syahirah@cccs.gov.sg](mailto:nawwar_syahirah@cccs.gov.sg)  
DID: 6325 8313