

MEDIA RELEASE

27 May 2024

CCCS Consults on Renewing the Block Exemption Order for Liner Shipping Agreements for Five Years

1. The Competition and Consumer Commission of Singapore (“**CCCS**”) is seeking public feedback on its proposed recommendation to the Deputy Prime Minister and Minister for Trade and Industry (the “**DPM and Min/T&I**”) to renew the Competition (Block Exemption for Liner Shipping Agreements) Order (the “**LSA BEO**”) for five years from 1 January 2025 to 31 December 2029, which CCCS has assessed will generate net economic benefit (“**NEB**”) for Singapore. The LSA BEO applies to the following Liner Shipping Agreements (“**LSAs**”):
 - i. Vessel sharing agreements¹ (“**VSAs**”) for liner shipping services;² and
 - ii. Price discussion agreements (“**PDAs**”) for feeder services.³

Background

2. Section 34 of the Competition Act 2004 (the “**Competition Act**”) prohibits agreements, decisions and concerted practices that have the object or effect of preventing, restricting or distorting competition in Singapore. However, the Minister for Trade and Industry can make an order, following the recommendation of CCCS, to exempt certain categories of agreements from section 34. This is known as a “block exemption order”.
3. The current LSA BEO, which expires on 31 December 2024, exempts certain types of LSAs from section 34, subject to certain conditions and obligations. The LSA

¹ VSAs are agreements among liners on operational arrangements to provide liner shipping services (e.g., alliances) which do not include discussions on prices to customers. Liners, which include both main lines and feeders, compete to sell their allocated capacity in the shared vessel.

² Liner shipping services refer to the sea transport of goods on a regular basis between ports, including any inland carriage of goods (e.g., truck or rail haulage) occurring as part of through transport.

³ PDAs for feeder services refer to discussions on prices (e.g., fuel surcharges) among feeders. 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. Main lines operate larger vessels that may not be able to call at smaller ports.

BEO was first put in place in 2006⁴ and is the only block exemption order in force in Singapore.

Proposed Recommendation

4. In arriving at the proposed recommendation, CCCS gathered and reviewed information on recent and upcoming market developments in the liner shipping industry as well as the current international regulatory landscape with respect to LSAs.
5. CCCS's current assessment indicates that the following LSAs will generate NEB for Singapore and CCCS thus proposes to recommend that these LSAs continue to be the subject of the LSA BEO:
 - i. **VSA for liner shipping services** improve the global connectivity of Singapore's port and support Singapore's status as a transshipment hub. VSAs also enhance competition among liners by lowering barriers to entry for smaller liners to provide services on trade routes and at frequencies that they would otherwise not be able to provide on their own due to lack of scale. Further, VSAs for liner shipping services bring about environmental benefits by enabling liners to share, utilise and deploy larger vessels that are more environmentally friendly.
 - ii. **PDA for feeder services** remain relevant for some feeders' businesses. Being able to participate in such PDAs attract feeders to base their headquarters and operations in Singapore and connect their services through Singapore. Feeders, in turn, attract and anchor main lines to Singapore, thus expanding Singapore's shipping network to support its transshipment hub. Anti-competitive effects from the use of such agreements appear to be limited. Firstly, surcharges imposed by feeders on main lines are still subject to commercial negotiation with main lines, which are likely to possess bargaining power. Secondly, main lines may be motivated to operate their own feeder services should the prices offered by (common) feeders be uncompetitive.
6. CCCS proposes to recommend to the DPM and Min/T&I that the LSA BEO be renewed by **five years** to provide legal certainty to the industry and to allow industry players to plan for the longer term. For liners, this provides continuity for them to carry on their commercial activities and creates a conducive environment as they plan their long-term investments. For customers, this creates more stability in the network of liners which in turn offers more choices to support customers' needs. The duration also supports the industry in meeting its obligations to achieve

⁴ The LSA BEO was subsequently renewed in 2010, 2015, 2020 and 2021.

decarbonisation of the maritime sector, thereby ensuring that the LSA BEO continues to remain relevant and current to the liner shipping industry.

Public Consultation

7. CCCS is seeking feedback on the possible impact of its proposed recommendation on the Singapore economy, and in particular on players in the maritime industry such as main lines, feeders, port operators, freight forwarders, as well as exporters and importers.
8. In addition, CCCS is seeking feedback on the current and impending usage of LSAs which involve inland carriage of goods (e.g., truck or rail haulage) occurring as part of through transport.⁵
9. CCCS will make a recommendation on the LSA BEO to the DPM and Min/T&I after it has considered the written submissions received during the public consultation.
10. The consultation documents can be downloaded from the CCCS website at www.cccs.gov.sg under the section "[Public Consultation](#)".
11. The closing date for submissions is 17 June 2024. Full details relating to the manner of response are included in the consultation document in the **Appendix**.

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⁵ Through transport refers to the continuous transportation by a combination of sea and inland carriage from a point of origin to a destination.

About the Competition & Consumer Commission of Singapore

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 2004 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 for the Consumer Protection (Fair Trading) Act 2003 or CPFTA which protects consumers against unfair trade practices in Singapore. Our mission is to make markets work well to create opportunities and choices for businesses and consumers in Singapore.

For more information, please visit www.cccs.gov.sg.

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