

**SINGAPORE SHIPPING ASSOCIATION COMMENTS ON
THE CCCS'S PROPOSED RECOMMENDATION TO THE
MINISTER FOR THE BLOCK EXEMPTION ORDER FOR
LINER SHIPPING AGREEMENTS**

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1. Statement of Interest

The Singapore Shipping Association (SSA), as at 1 August 2021, represents 478 members from Singapore's shipping ecosystem.

Shipowners, shipping lines, shipping agents and ship managers represent our Ordinary membership, which totals 261 companies. 199 companies are Associate members comprising ship financiers, marine insurance brokers and P & I clubs, maritime law firms, classification societies, terminal operators and other allied industries. We also have 13 Individual members who are veterans of the industry who are still keen to share their experience and knowledge, but are no longer affiliated with individual companies, as well as 5 technology service providers who are our Startup members.

The Singapore Government, with its pro-business stance, has an important objective – to develop and promote Singapore as a leading International Maritime Centre, and as a major hub port for international shipping. The SSA strongly supports this objective and works together with other relevant government bodies and trade associations to achieve it.

2. Summary of Major Points

The Singapore Shipping Association (SSA) welcomes CCCS' proposal to recommend a BEO for vessel sharing agreements for liner shipping services and price discussion agreements for feeder services, as we are of the opinion that the renewed BEO will further strengthen Singapore's position as one of the world's busiest hub ports.

SSA would, however, respectfully propose that the BEO be extended for a period of 5 years, till 31 December 2026, instead of the 3 years proposed by CCCS.

Legal Certainty & Stability

Carriers spend billions of dollars on ships and equipment to develop services on numerous trade routes to maintain the quality of services that can meet the frequency and regularity requirements which are the defining characteristics of scheduled shipping services.

This is further complicated by the lead time necessary for operators to commit to building new ships to meet projected increases in demand – a 20,000 teu container ship would take about 3 to 4 years to build. With a three-year extension, the lack of legal certainty could have a chilling effect on carriers' decision to commit to the delivery of new tonnage.

Furthermore, with the exception of the 1-year exemption till 31 December 2021, the BEO had been granted in 5-year blocks (2006-2010, 2010-2015, 2015-2020). This break from CCCS' precedent could create some confusion and hesitation on the part of companies contemplating long-term commitments to Singapore as a global hub and leading international maritime centre.

A five-year extension of the BEO will provide legal certainty for liner operators and demonstrate that Singapore is committed to multilateralism and global trade.

Global Playing Field

Shipping is a global industry and as such the continued existence and extension of the BEO is important to Singapore, and to shipping lines trading to and from Singapore, as it will be consistent with prevailing international practices regionally. This includes the vast majority of Singapore's key trading partners (Australia, Canada, China, EU, Hong Kong, India, Israel, Japan, Korea, Malaysia, New Zealand, United States).

Furthermore, given Singapore's globally recognised legislative expertise and thought leadership and its role as a leading international maritime centre, there is a very strong likelihood that Singapore's decisions may set a precedent for other maritime jurisdictions.

3. Comments and Responses to Questions

What are your views on the proposal to extend the BEO in respect of vessel sharing agreements?

We welcome the extension of the BEO in respect of vessel sharing agreements.

There are three main factors that support the continuance of a BEO for Singapore:

- Environment
- Efficiency
- Legal Certainty

Environment

- In the absence of viable low/zero-carbon fuels, lower emissions can only be achieved in the short term through economies of scale (bigger ships) and through slow steaming (which needs more ships).
- This can only be achieved through consortia, as individual companies would find it very difficult to sustain big ships and slow steaming.

Efficiency

- In order to preserve Singapore's role as a major international maritime centre and a premier hub port, it is critical to ensure that the port of Singapore can receive big ships to maintain its edge over other ports.
- In addition, it has been necessary for carriers to adapt to trade disruptions through contracting and expanding capacity quickly in situations like those experienced during the COVID pandemic.
- Consortia also provide well-coordinated, stable and frequent services.
- All of the above are better managed through consortia.

Legal Certainty

- The extension of the BEO provides legal certainty to the liner operators.
- Given the international nature of shipping, it is important that different jurisdictions should have some common ground to ensure a level playing field.
- Should there not be legal certainty for Consortia to operate, then liner operators would be forced to consider alternative jurisdictions to conduct hubbing operations, thus affecting Singapore's position as a premier maritime hub.

In addition, we would like to emphasise that for over 15 years, vessel sharing agreements have worked very well from a legal and efficiency standpoint.

What are your views on the proposal to extend the BEO in respect of price discussion agreements for feeder services?

We welcome the extension of the BEO in respect of price discussion agreements for feeder services.

Singapore's success as a transshipment hub port depends on a closely integrated ecosystem made up of main line operators who may be engaged in vessel sharing agreements, and feeder operators who may be engaged in discussion agreements. The feeder operators, however, traditionally operate on very thin margins, which they are able to overcome by taking advantage of the various efficiencies available in Singapore, such as proximity to main line operators, support from port operators and, crucially, a pro-business legislative landscape that allows them to engage in transparent dialogue aimed at cost recovery.

Without such a landscape, Singapore would be considerably less attractive to feeder operators, which, in turn, may have a knock-on effect for main line operators.

What are your views on the proposed period of extension of the BEO (i.e. an extension of 3 years until 31 December 2024)?

As discussed above, SSA maintains that the BEO should be extended for a period of 5 years till 1 December 2026 in keeping with its previous track record and in view of the advantages it lends to Singapore's position as a global maritime hub.

What are your views on the appropriate definition of feeder services in the BEO?

Feeder operators may be broadly classified into two categories – operators who carry shipper-owned containers (SOCs) and operators who carry carrier-owned containers (COCs).

COC operators generally control the containers as well as most if not all of the supply chain and do not engage in price discussion agreements.

SOC operators, on the other hand, only control the ship and carry containers on behalf of parties they enter into contracts with, be it Non-Vessel Operating Container Carriers (NVOCCs) or main line operators. SOC operators are concentrated on the short sector networks, and traditionally have small margins and large volumes – as such, they are the primary beneficiaries of the BEO, and any definition of eligible feeder services must include SOC operators.

What are your views on the impact of the proposed recommendation on your business — would you say it has a positive, negative, or neutral impact? Why?
As discussed above, an extension of the BEO will have a positive impact.

Do you have any other comments on the proposed recommendation?
SSA has no further comments.

4. Conclusion

Shipping is a global industry and the continued existence and extension of the BEO is important to Singapore, and to shipping lines trading to and from Singapore, as it will be consistent with prevailing international practices regionally.

In this regard, the SSA continues to maintain that the BEO will promote and sustain competition, provide liner operators with much-needed certainty and stability and ensure that businesses in Singapore will continue to have ready access to the reliable and competitively priced shipping services required to participate in a healthy free-market economy.