

CCCS Public Consultation on the Review of the Block Exemption Order for Liner Shipping Agreements (“BEO”) 2021

Feedback from stakeholders

5. Advance Container Lines (Pte) Ltd

	Views
BEO in respect of vessel sharing agreements	Vessel sharing has become part and parcel of shipping. It is rare to see operators running services independently. Vessel sharing facilitates a service operator to be able to provide customers with adequate service frequency without having to inject additional hardware. This brings about a win win where customers can enjoy better service coverage, optimise resources for the operator and renders connectivity in/out Singapore better and thus more attractive to importers and exporters.
BEO in respect of price discussion agreements for feeder services	We support this as this allows feeders within the framework of BEO to address common issues that have costs impact eg. congestion in port, congestion in container yard, breakdown in port facilities. Such events has impact on the feeders' bottom-line. It is thus imperative for us to be able to recover to defray the increased operating costs. Most of the feeders are also headquartered in Singapore. It thus makes sense for us as principals to be able to have such discussion without contravening regulations. This is only possible with extended BEO.
Proposed period of extension of the BEO (i.e. an extension of 3 years)	This used to be 5 years. Noted the recommendation is for 3 years which we can accept given this is a representation of the current business cycle.
Appropriate definition of feeder services	Feeder services are primarily service operators selling only ship space. Most do not own or lease containers. Feeders' customers are thus (1) main line operators (MLOs), (2) non vessel owning common carriers (NVOCCs) and (3) Customers who own/lease containers including direct customers and freight forwarders
Impact of the proposed recommendation on your business — would you say it has a positive, negative, or neutral impact? Why?	It has positive impact for reasons cited in preceding questions (5) and (6)
Any other comments	Comments are exhaustively covered above.

6. Bengal Tiger Line Pte Ltd

	Views
BEO in respect of vessel sharing agreements	Nearly all Main Lines work in Vessel Sharing Consortiums as this is the only viable format to have economies of scale and sufficient frequency. It also remains in the interest of the Trade to enable adequate capacity deployment. Without such there would be less operators and higher costs.
BEO in respect of price discussion agreements for feeder services	In a transshipment HUB port then network connectivity is vital and Feeders form the arteries of such HUB & SPOKE philosophy. Feeder margin's are wafer thin and need to be able to discuss emergency cost recoveries to remain viable. Without some ability to discuss such there will be fewer players and lesser options / connections which ultimately will only add cost and make other ports more attractive to transship.
Proposed period of extension of the BEO (i.e. an extension of 3 years)	In shipping most Agreements are long term - particularly long haul VSA arrangements where such is linked to tonnage building commitments therefore the tenure should remain 5 years as previously.
Appropriate definition of feeder services	Feeder definition should apply to all players who have SOC operations as these are the short sector networks which make the HUB system work. Feeders who have COC trades are not discussed in AFDG meetings.
Impact of the proposed recommendation on your business — would you say it has a positive, negative, or neutral impact? Why?	Singapore is an expensive place to transship and only via terminal efficiencies and a concentration of service structures do the economics work. If there was no further ability to discuss issues then many Feeders would opt to transship at cheaper locations and Singapore would lose volumes - and Feeders could locate to cheaper establishment locations such as Dubai, Colombo [a]nd Port Kelang.
Any other comments	I would like to congratulate all at CCCS for a clear and pragmatic paper which will hopefully see our industry through the next 5-10 years.

7. Samudera Shipping Line Ltd

	Views
BEO in respect of vessel sharing agreements	I fully agreed with the extension , it is very beneficial to Singapore as a hub port to have enough capacities and frequencies of the feeder vessels to support the mother vessels.
BEO in respect of price discussion agreements for feeder services	Fully agreed on the proposal. The discussion will made the price more competitive and will not end up over supply, keep the feeders alive to continue serving the hub , and also more efficient to PSA terminal.
Proposed period of extension of the BEO (i.e. an extension of 3 years)	3 years is reasonable period.
Appropriate definition of feeder services	Feeder Services in my company is too serve PSA as the hub. It runs shuttles between the out port and PSA to provide the connection for Mainlines to connect their containers to their Mother vessels.
Impact of the proposed recommendation on your business — would you say it has a positive, negative, or neutral impact? Why?	It is positive for the small feeder companies which do not have the financial capabilities to withstand the unstable environment. We need support to invest the assets to keep Singapore as a big transshipment hub.
Any other comments	I fully support on the recommendation.

8. PSA International

	Views
BEO in respect of vessel sharing agreements	We agree with CCCS's recommendation to extend the BEO in respect of vessel sharing agreements.
BEO in respect of price discussion agreements for feeder services	No comments.
Proposed period of extension of the BEO (i.e. an extension of 3 years)	<p>We note that in the past, the previous extension of the BEO in 2010 and 2015 was for a period of 5 years, other than 2020, where the BEO in its current form was extended for one year until 31 December 2021, in view of the COVID-19 pandemic.</p> <p>We think that the current proposed extension can also be for a period of 5 years, to provide greater certainty and stability for liners operating in Singapore, as well as for Singapore port to maintain high level of connectivity.</p>
Appropriate definition of feeder services	No comments.
Impact of the proposed recommendation on your business — would you say it has a positive, negative, or neutral impact? Why?	Should there be no extension to the BEO, it may create negative impact on trade. That would be negative for Singapore and hence to PSA as a major transshipment hub. If other ports, especially those competing with Singapore, allow for the exemption but Singapore does not, then the shipping lines may shift volume from Singapore to those ports.
Any other comments	Nil

9. Kuehne & Nagel (Asia Pacific Management) Pte Ltd

	Views
BEO in respect of vessel sharing agreements	We welcome this decision as we firmly believe it enables a fair competitive environment which will not be dominated by a few larger shipping companies. It will continue to provide choice, flexibility and continuity of services.
BEO in respect of price discussion agreements for feeder services	Recent developments have changed our opinion on this matter. The current chaos in the global shipping market affects not only liner shipper services but also those of feeder operators. Whilst market forces should be allowed to develop freely we have grown concerned on one had at signaling by the shipping community, but additionally at seemingly unconditional power that such feeder discussion agreements can use under the current extreme situation. Whilst we have no experience of any abuse, the power to align and increase charges under extreme conditions is not presently healthy in such climates.
Proposed period of extension of the BEO (i.e. an extension of 3 years)	We believe that this is a reasonable time frame as shipping lines must make long term commitments and shippers require more stability in terms of products and services.
Appropriate definition of feeder services	We are of the opinion that this subject should be reviewed.
Impact of the proposed recommendation on your business — would you say it has a positive, negative, or neutral impact? Why?	The extension of the BEO is a welcome decision which will provide the best possibilities of providing the levels of service required for our company. As the situation is a status quo of today there is no material positive impact, rather a neutral one. However, we are satisfied with this decision.
Any other comments	No.

10. Ocean Network Express Pte. Ltd. (“ONE”)

	Views
BEO in respect of vessel sharing agreements	Subject to the comment under [Proposed period of extension of the BEO], we believe it should be a reasonable and positive initiative by Singapore as a leading country of maritime industry.
BEO in respect of price discussion agreements for feeder services	While we are just a "user" of the feeder service, as long as normal anti-competitive actions are prohibited, we do not have much concern. We understand the specific purpose to protect the consumer's lifeline depending on the niche feeder services.
Proposed period of extension of the BEO (i.e. an extension of 3 years)	While we appreciate and welcome further extension of BEO for VSA, the three years extension is relatively shorter than the past practice in Singapore and other major jurisdictions, like EU back in 2020. We are a bit afraid this fact may give the wrong impression to VSA. Therefore, it is much appreciated if CCCS can reconfirm this relatively shorter extension is not something from particular concern to VSA if it is not an option for CCCS to extend 5 years as you did before.
Appropriate definition of feeder services	As discussed, no definite answer from us. However, we expect this extra protection is focusing on the consumer's benefit living in the relatively n islands which do not have major trunk line services.
Impact of the proposed recommendation on your business — would you say it has a positive, negative, or neutral impact? Why?	It should be positive since it gives legal certainty to VSA and clear guidance on what is allowed and what is not.
Any other comments	Already mentioned as above.
