



Merger Review in the Container Liner Shipping Sector

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¹ The views expressed are those of the author and cannot be regarded as stating an official position of the European Commission
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Outline

- ❑ Market Structure & Consolidation
- ❑ Market definition
- ❑ Market share calculation
- ❑ Assessment – the free market
- ❑ Recent cases:
 - ❑ With remedies
 - ❑ Unconditional clearance
- ❑ Verticals – Terminals
- ❑ Question time

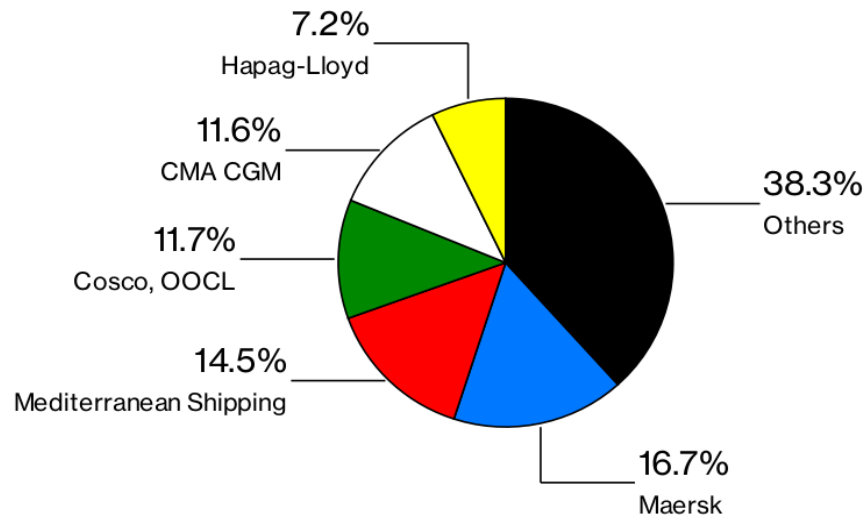
Market Structure

- Global industry increasingly concentrated
 - After latest merger wave top 5 carriers account for around 65% of global tonnage
 - Five leading carriers with global scale
 - Ten small global carriers with market shares of 2-5% trying to catch up with five industry leaders
 - Carriers with scale in a certain region
 - BUT: Commission looks at legs of trade
- Product is a commodity
 - Standardised container

Market Structure

Tipping Scale

Top 5 container lines control more than half of the global market



Note: Figures as of Aug. 10
Source: Alphaliner


Market trends

- Structural Overcapacity
 - Despite massive scrapping, increase in capacity: +5.6% in 2018 according to Alphaliner. Due mainly to continued delivery of mega ships > 13.000 TEU
 - Capacity growth > demand growth over past decade
- Declining freight rates
 - Industry incurs losses
 - Bankruptcy of then world's number 7, Hanjin, in autumn 2016
 - However, signs of recovery since May 2017
- Consolidation
 - Since 2014: new merger wave, and reduction of global alliances from 4 to 3. Further consolidation?

3rd Merger Wave 2014-2017

- M.7268 Hapag/CSAV 11 September 2014
- Cosco/CSCCL February 2016
- M.7908 CMA CGM/NOL (APL) 29 April 2016
- M.8120 Hapag/UASC 23 November 2016
- M.8330 Maersk/Hamburg Süd 10 April 2017
- M.8472 NYK/K-Line/MOL (ONE) 28 June 2017
- M.8594 Cosco/OOCL 5 December 2017

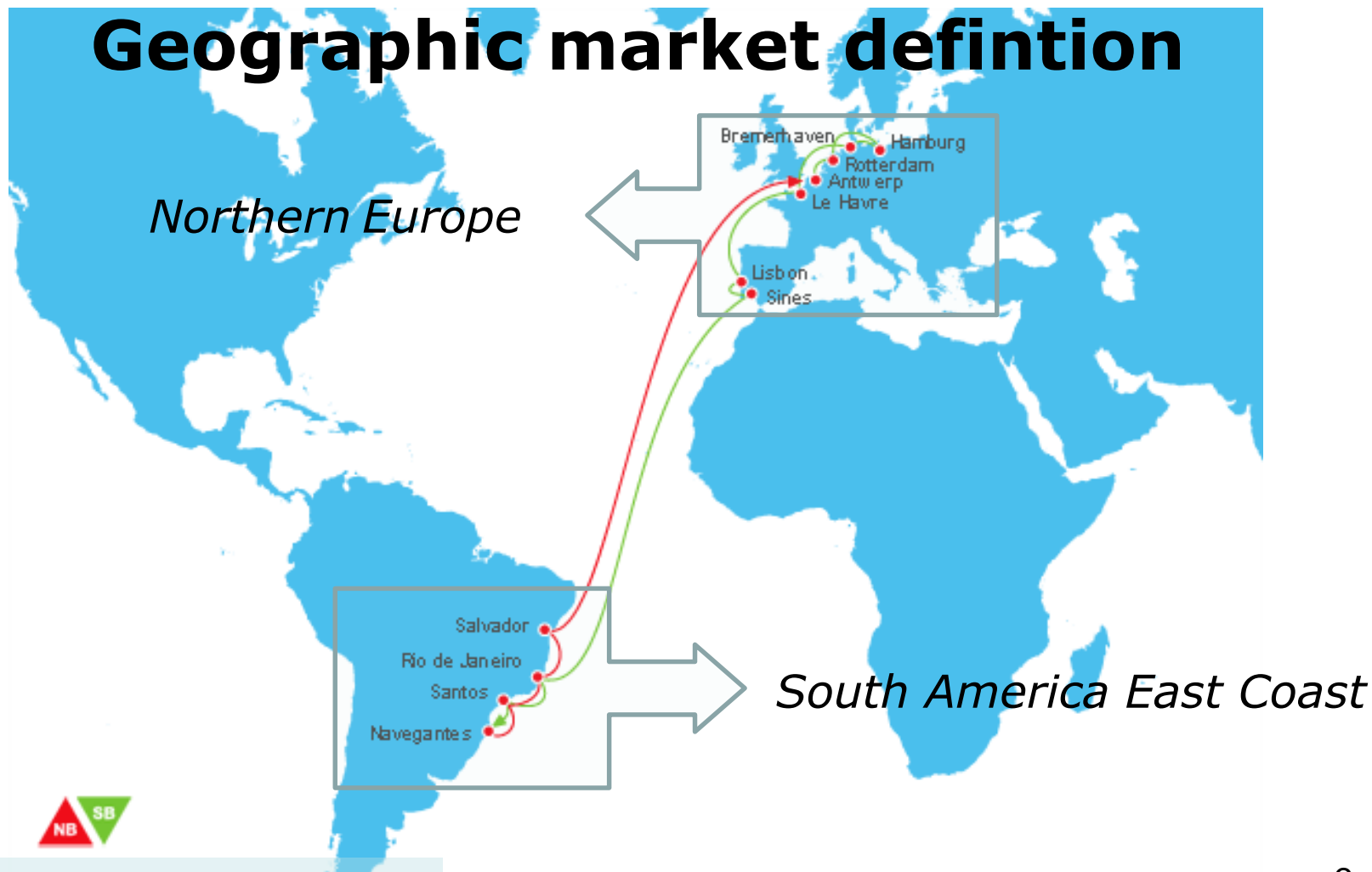
Assessment Framework Mergers

- Market definition
 - Dry/reefer
 - Trade legs
 - Deep sea vs. short sea
 - Competitive Assessment
 - Alliances/free market
 - Remedies
- 

Product Market Definition

- *Dry vs. reefer containers (left open)*
(only if reefer volume is >10% in any leg of a trade)
- *Reefer containers vs. bulk reefer vessels*
(left open)

Geographic market definition



North- and South-bound legs

Competitive Assessment

VESSEL SHARING AGREEMENTS (VSA = Consortium = Alliance)

- Joint service
- Some competition intra-VSA
- Joint setting of capacity → main driver for prices



Market share of a given container shipping liner includes volumes shipped by consortium partners

Competitive Assessment – Market Share Calculation

- Commission looks at two market shares:
 - The sum of the merging entities individual market shares
 - Parties' combined market share plus the market share of all shipping lines participating in any of the Parties' consortia.
 - Basis is usually volume data provided by CTS.
- There is no double counting as each carrier's share is only added once.
- The remaining market share is deemed to be the "free market" which are volumes unconnected to the merged entity and their consortia/alliances.

Competitive Assessment

SERIOUS DOUBTS

- If "free market" <60% → in-depth analysis
- New links between entities previously independent
- Lack of independent competitors

REMEDIES

- Withdrawal from consortium/ breakage of new links created by the transaction
- Space/Slot Charter Agreements (M.5756 DFDS/Norfolk)

Recent Commission Decisions

	HL/CSAV (09/2014)	CMA CGM/NOL (04/2016)	HL/UASC (11/2016)	Maersk/HSDG (04/2017)
Serious doubts on routes	<ul style="list-style-type: none"> Northern Europe – Central America/Caribbean Northern Europe - South America West Coast 	<ul style="list-style-type: none"> Northern Europe – North America Northern Europe – Middle East 	<ul style="list-style-type: none"> Northern Europe – North America 	<ul style="list-style-type: none"> Northern Europe - Central America/Caribbean Northern Europe - West Coast South America Northern Europe - Middle East Mediterranean - West Coast South America Mediterranean - East Coast South America
Remedy	withdrawing CSAV from two consortia	withdrawing NOL from the G6 Alliance	withdrawing UASC from the NEU1/Pendulum service	withdrawing HSDG from the five corresponding consortia
Ensure effectiveness	No re-entry	No re-entry	No re-entry	No re-entry

Recent Commission Decisions – unconditional clearances

There were two more decisions in 2017, cleared without any remedy

- ❑ M.8472 NYK/MOL K-Line (ONE)
 - ❑ Joint control on the basis of commonality of interest
 - ❑ All three already members of THE Alliance
 - ❑ "free market" exceeds 60% on all those affected legs of trade
- ❑ M.8594 Cosco/ OOCL
 - ❑ Both already members of the OCEAN Alliance
 - ❑ NE-NA free market below 60%, but SLCS-link not new

Vertical integration -Terminals

Many liner shipping companies are integrated into terminal services: APMT, TIL etc.

- M.8459 TIL / PSA / PSA DGD (Port of Antwerp)
- Foreclosure to the benefit of MSC?
- Deurganck dock crown jewel of harbour for mega vessels
- What is the relevant market? Antwerp, Belgium, ARA, whole Hamburg-Le Havre range?



Thank you!

The public version of the decisions mentioned in this presentation can be found on our website:

http://ec.europa.eu/competition/mergers/overview_en.html

Antitrust Legislation:

http://ec.europa.eu/competition/sectors/transport/legislation_maritime.html