

PRESS RELEASE

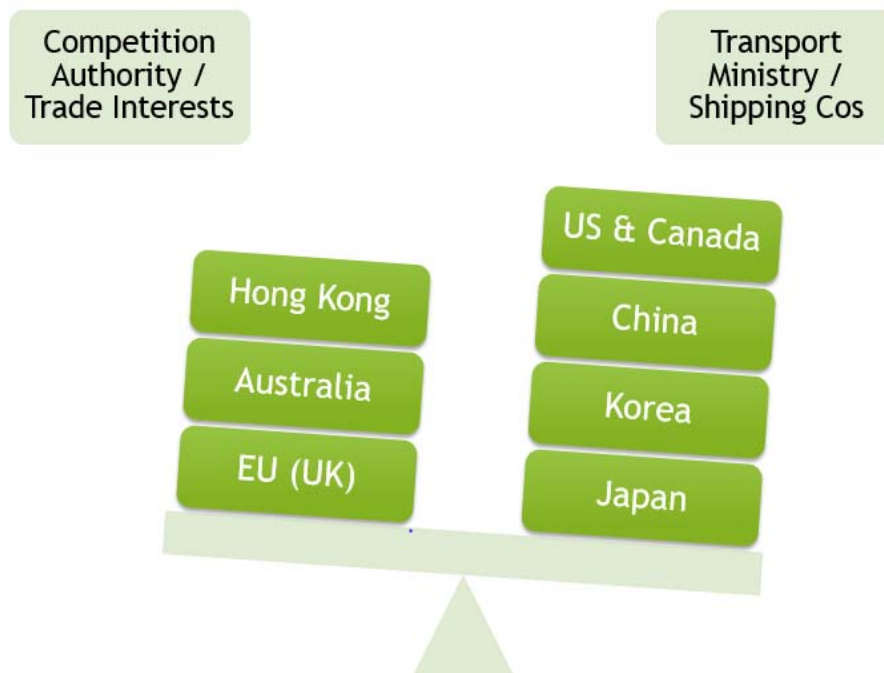
Regulation in the liner shipping industry: pathways to a balance of interests

Which decision will the European Commission take in the context of reviewing the Consortia Block Exemption Regulation (CBER) No 697/2014 of 24 June 2014 (expire April 25th, 2020)?

Multidisciplinary research conducted by academics of the Dalhousie University (Halifax, Canada) and the University of Antwerp (Antwerp, Belgium) attempts to provide an answer to this. The aim of the note is to provide Regulators some insights in the benefits and drawbacks of regulatory pathways to a balance of interests between carriers and shippers, and in the interests of considering global regulatory implications.

The research starts by defining the terms used, not just from a European perspective, taking a broader worldview as the regulation of consortia, and other forms of cooperative working agreements. Furthermore, regulatory tensions between competition-policy led agenda (e.g., Australia, Europe, Hong Kong) and for others on a transport-policy led agenda (e.g., China, Korea, Japan, U.S. and Canada) (Figure 1) as well as the tensions between the different stakeholders in the maritime supply chain affected by the CBER (Figure 2) are examined.

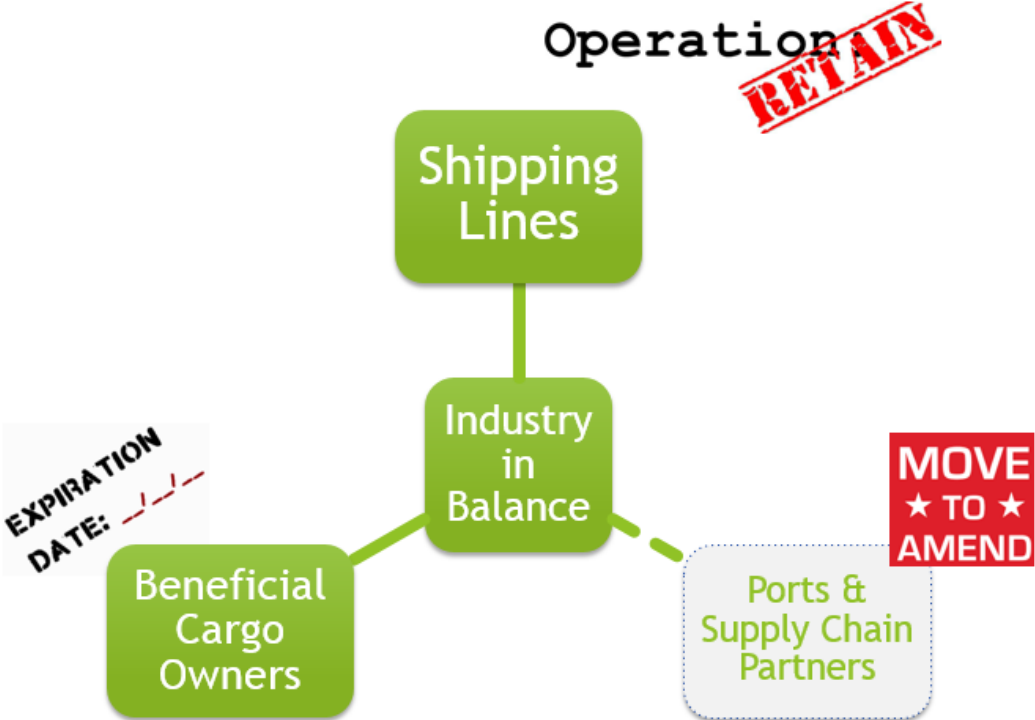
Figure 1: Tensions between regulatory bodies



Source: Brooks, M. R. (2018, September). *Rethinking Competition Policy and Liner Shipping Regulation*. Presented at the City University, London.

After analysing the different types of jurisdictions, it is clear that there is a need for a globally accepted definition for each type of activity, but that the parties are not far apart. For example, VSAs are only one type of agreement under the broader umbrella of CWAs found in the industry today. Where the regulators differ is primarily in the area of rate-making CWAs.

Figure 2: Tensions between three industry perspectives



The research combines industrial economics and strategic management approaches. The review of existing stakeholder positions in the EU CBER consultation identifies the areas of convergence and divergence in what possible actions the EU can undertake in its decisions on the CBER. There are grounds for agreement, there are common fears and there are common concerns. There are also areas of disagreement and these are explored. Starting from the framework of Meersman, Van de Voorde & Vanelslander (2010), the varying perspectives of the stakeholders involved are discussed and more specifically, whether the tools to materialize the respective objectives are aligned with the operators’ strategies and perspectives. From this analysis, it is possible to put forward three different pathways from the perspective of the regulator: 1) allow the existing CBER to expire, 2) amend the existing CBER and 3) retain the existing CBER and extend the timeline. Each is explored and the impact on each stakeholder in the maritime supply chain discussed (Figure 3).

Figure 3: Three pathways from the perspective of the regulator

Allow the existing CBER to expire

- The most dangerous of all pathways
- The industry currently faces global uncertainty
- Highest risk of seeing carriers disappear from the market
- Future capacity risk decisions of carriers may go against the interests of shippers and terminal operators

Retain the existing CBER

- Fits best the needs of the carriers
- Shippers benefit from better-equipped shipping companies guaranteeing capacity

Amend the existing CBER

- Most balanced one, but unclear which amendments
 - More transparency: relevant geography market, data/information collection
 - No point to reduce market threshold
 - Regarding review period: difficult as timeline is the same for all sectors

The research explores also the likely consequences of the decision taken by the European Commission from an industrial economics perspective. An analysis of the impact on consumer surplus (or the excess of what a shipper would have paid for a service (i.e. the utility) over what that shipper actually pays) and producer surplus (i.e., freight rate in excess of the lowest freight rate willing to supply slot capacity) allows for exploration of those consequences. However, quantification is not possible due to lack of data. As a result, the researchers also discuss the regulatory data collection and explore the opportunities that better global data collection might lend to improved regulatory outcomes. The researchers recommend a global registry of CWAs for regulators to access (containing data such as Type of agreement, Geographic trade lanes covered by the agreement, Agreement duration, If selling of space to third parties is allowed, and The legal party to contact for further details on the nature of the CWAs), as well as a trade data warehouse for consortia monitoring. The latter needs further exploration at a multi-lateral level.

Ultimately, the research suggests several actions that can be taken to achieve a balance of interests among the actors in the sector. In addition, the research shows that there is a definite need for regulation that will yield greater certainty of impact of regulations, greater clarity of interpretation, and a time frame that will more closely mediate between the short time frame used by the majority of cargo interests and the longer time frame of carrier decision-making. The challenge will be to find a pathway for Europe that is compatible and consistent with the global nature of the industry rather than the fragmented nature today. The purpose for future research is to try and identify a pathway towards multilateral regulation as well as frameworks for their assessment, and identify best practices for regulation.

Involved universities

The **Dalhousie University** is a public university located in Halifax, Canada. Founded in 1818, the university is one of Canada's oldest universities, attracting more than 19,000 students from around the world. By blending transformative academic programs with pioneering research on Canada's East Coast, Dalhousie makes a lasting impact on their student. Dalhousie has received a five-star rating overall, and specifically in Teaching, Employability, Learning Environment and Innovation, from QS Stars, one of the top global university ratings systems. More info: <https://www.dal.ca/>

The **University of Antwerp** has a long-standing tradition in transportation research, as part of the wider field of Applied Economics. Academic teaching is closely linked to original scientific research by the University's academic staff of top-quality international research. The international accreditations that the faculty Business and Economics has received from AACSB and EFMD testify to the high quality of its education and research, and this type of recognition ensures our students have a wide range of international opportunities on all continents. The department '**Transport and regional economics**' (TPR) offers both business economics and general economics. The Department's lines of research are located on the interface of general and business economics. The research activities unfold within the framework of programmes instigated by the university and the authorities (regional, federal and European) as well as specific assignments from the public and private sectors. More info: <https://www.uantwerpen.be/tptr>

Authors

Mary R. Brooks is Professor Emerita at Dalhousie University's Rowe School of Business and a founding editor of Research in Transportation Business & Management. From 2016-2018, she served as Chair of the Marine Board of the U.S. National Academy of Sciences, and chaired the 2015-2017 Council of Canadian Academies' assessment of The Value of Commercial Marine Shipping to Canada. Her research focuses on competition policy in liner shipping, port strategic management and short sea shipping. She has authored and published more than 25 books and technical reports, more than 25 book chapters, and more than 80 articles in peer-reviewed scholarly journals. In 2018, she was recognized for her lifetime contribution to the field with the Onassis Prize in Shipping

Hilde Meersman is a full professor at the University of Antwerp where she teaches in the fields of Transport Modelling and Economics. She was the co-ordinator of the policy research centre of the Flemish Government 'Mobility and Public Works – Freight Transport' and the Strategic basic research project 'Urban Logistics and Mobility'. She is a member of the Belgian Economic Council which gives advice on the national economic policy and of the Marine Board of the National Academies of the USA. Her research activities are on the intersection of transportation economics, macroeconomics and economic modelling. This enables her to link the evolution in the world economy to specific transportation problems. She is involved, directly or indirectly, in a large number of national and international research projects on topics such as international investment, modelling and forecasting freight transport, empirical analysis of port competition, inland navigation, mode choice, sustainable mobility, etc.

Christa Sys currently is holder of the BNP Paribas Fortis chair on transport, logistics and ports at the Department of Transport and Regional Economics. Until October 2013, Christa Sys was scientific director of the Research Centre on Freight and passengers flows. Next, she is course co-ordinator for the courses 'Business Environment', 'Maritime Economics and Businesses' and 'Maritime Supply Chain' at the Centre for Maritime and Air Transport (C-MAT). She also teaches at the Faculty of Business & Economics, University of Antwerp. Her educational activities focus on (operational

aspects of) maritime transport, transport economics and inland transportation. Her research centres on maritime economics and co-operation and competition in shipping. She jointly graduated as a doctor in Applied Economics at the Ghent University and the University of Antwerp (December 2010). Her doctoral research dealt with the competitive conditions, the concentration and the market structure of the container liner shipping industry ([link](#)). This research was awarded by the Section of Technical Sciences of the Royal Academy for Overseas Sciences with the General Manager Fernand Suykens Prize for Port Studies.

Eddy Van de Voorde is Full Professor at the University of Antwerp, Faculty of Applied Economics. His activities are situated in Maritime Economics, Port Economics, Air Transport and Logistics. He is in charge of a lot of new research projects, financed by various Belgian and international governments and private organizations. His research, particularly in the field of modelling freight transport, has resulted in a long list of publications in leading academic journals. Moreover, he recently has co-authored various standard-works in the field of transport economics and models. He is/was also a member of the editorial board of a number of international journals, such as Maritime Policy and Management, Transport Policy, Transportation Research-E, Transport Policy Cases, Journal of Air Transport Management and the International Journal of Transport Economics. In 2005, he was awarded in Genua a prestigious international prize, the Premio Internazionale delle Comunicazioni “Cristoforo Colombo”, for his scientific research in the field of Maritime Economics.

Thierry Vanelslander (°1975) currently is associate professor at the Department of Transport and Regional Economics. He graduated as a doctor in Applied Economics at the University of Antwerp. Until 2013, he was holder of the BNP Paribas Fortis chair on transport, logistics and ports. Until halfway 2009, he was director of the Research Centre on Freight and Passenger Transport, hosted by the Department of Transport and Regional Economics. He is currently course co-ordinator for the courses 'Management of Innovation and Technology' and 'Port Economics and Business' at C-MAT, and 'Transport Economics' at the Faculty of Applied Economics. His research focuses on business economics in the port and maritime sector, and in land transport and urban logistics. His PhD dealt with co-operation and competition in sea-port container handling. He is also the chair of the World Conference on Transport Research (WCTR) Special Interest Group A2 (Ports and Maritime), and topic area manager for WCTR's track A (Transport Modes). Equally, he is the chair of the Freight & Logistics group within the European Transport Conference.

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Link study

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