The Japanese Shipowners’ Association (JSA), which is a nationwide shipowners’ association consisting of 103 Japanese shipping companies, hereby submits its comments, in line with the contents of the joint statement from the World Shipping Council, the European Community Shipowners’ Associations and the International Chamber of Shipping, on the European Commission’s draft Commission Regulation amending Regulation (EC) No 906/2009 on liner shipping consortia as regards its period of application. The JSA highly welcomes the Commission’s proposal to continue to exempt consortia under the existing legal framework for an additional five-year period until 25 April 2020.

In the following comments, the JSA advocates that the consortia BER can give legal certainty to shipping lines with its uniform set of rules and that therefore container lines may concentrate their capital resources simply on the efficiency and improvement of their operations on the premise of consortia agreements. In view of this, shipping lines can stably provide shipping services with sufficient quality and quantity, which may be economically beneficial to not only the liner shipping industry itself but also shippers. Also, the JSA would like to touch upon the point that consortia are increasing their importance in the current shipping market.

Firstly, it is significantly useful for the liner shipping industry to have the uniform set of rules provided by the consortia BER. The Regulation clearly provides the scope and conditions of consortia agreements which are exempt from EU competition law based on Article 101 and 102 of the Treaty on the Functioning of the European
Union. As the Commission indicated in the proposed regulation released on 27 February 2014, the Commission substantially amended and simplified the consortia BER in 2009, removing outdated provisions and clarifying important practical issues. As a result of the changes, the current consortia BER has become an unequivocal and understandable compliance tool. Its clarity and simplicity give high compliance rates to shipping lines with low compliance costs. Provided that legal certainty, container lines may be able to evaluate possible consortia agreements or amendments to those arrangements (inclusive of terminating those arrangements and entering into different ones) simply based on their operational advantages. Furthermore, the carriers can focus their energy and financial resources mainly on the attainment of operational effectiveness and improvement by avoiding unnecessary compliance costs, which lead to the delivery of steady liner services with sufficient quality and quantity and eventually bring benefits to shipping lines as well as shippers.

Additionally, the JSA believes it is worthwhile to take note that developments in the liner shipping industry since the previous consortia BER review have made the role of consortia more important. The recent trend of liner shipping is characterised by the rise in the price of bunker fuel and the allocation of mega container vessels, especially to the trades between Asia and Europe, which originally stem from considerable increases in bunker fuel costs.

The bunker price has increased substantially since the last review. For instance, the price at the Singapore port recorded just below US$300/MT on January 2009, and after that point, it soared to over US$700/MT on January 2012 and has been hovering at a high between US$600 and US$700/MT since then. On the other hand, during the same period, the CCFI (China Containerised Freight Index) for European trade has remained flat, at around 1,300, according to data from the Shanghai Stock Exchange. This means that shipping lines have effectively absorbed the fuel costs increase, which is supposed to be achieved by carriers' efforts to reduce per-unit costs.

In recent years, most of the shipping lines have deployed larger container vessels. According to the Drewry Container Forecaster report, the average size of container vessels deployed on the Asia-North Europe route grew from around 7,500teu (1Q/2009) to around 11,000teu last year. The allocation of larger container ships is one main factor allowing shipping lines to reduce per-unit costs. However, unless those large vessels' capacities are adequately utilised to carry
cargo, the expected cost reduction effect will not be generated. The utilisation rate is critical to achieving the expected efficiency of the larger vessels, and consortia are an important tool in attaining efficient utilisation rates. Vessel sharing allows carriers to use these expensive large assets more efficiently than they otherwise could. In the absence of consortia, there would be fewer services and fewer competitors.

In conclusion, as stated above, the current version of BER amended by the last review in 2009 has provided clear, practical, and efficient guidance to the liner shipping industry. The Regulation allows liner carriers to concentrate their expenditure mainly on the efficiency and improvement of their operations and to join, amend, and leave consortia based on the grounds of economic efficiency with low compliance costs. With legal clarity and transparency provided by consortia BER, shipping lines can deliver the best service to all interested parties including shippers. Also, because of those benefits provided by consortia, their weight is increasing in today's market situation with rising fuel bunker prices and stagnant freight rates. The JSA therefore fully supports the Commission's proposal to extend the applicable date of the consortia BER until 25 April 2020.

The JSA appreciates the opportunity for conveying its thoughts to the Commission.

Respectfully yours,

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Vice President
The Japanese Shipowners' Association