

We need fair competition

by Robert Keen, *Director General, British International Freight Association (BIFA)*

We have welcomed the news that five competition authorities have created a working group that will meet regularly to develop and share intelligence to detect and investigate suspected anti-competitive behaviour and collusion in the global container shipping industry, using existing international cooperation tools.

I hope the contents of a letter that BIFA sent to the UK Department for Transport in January 2022, subsequently forwarded to the UK Competition and Markets Authority (CMA), played some role in initiating the five competition authorities' investigation (including the CMA).

Willing to challenge

As the UK's main trade association for freight forwarding and logistics companies, our members fully accept that a free market economy is open to all but are increasingly concerned that the activities of the shipping lines, and the exemptions from legislation from which they benefit, are adversely and unfairly affecting their customers, especially freight forwarders and small & medium businesses.

Our organisation made those points in a meeting with the CMA in March of this year. In particular, BIFA members voiced their concerns about having

their contract rates cancelled by container shipping lines forcing them onto the more expensive spot market. Limiting access to the market is considerably worrying our members.

We are convinced that the well-documented chaos within the container shipping sector is leading to commercial power becoming increasingly concentrated, resulting in diminished market choice and competition and distorted market conditions. It will be interesting to see if the five competition authorities find that the current supply chain disruptions directly result from anti-competitive conduct.

The facts speak for themselves. During a period that has seen the EU block exemption regulations carried forward into UK law, there has been huge market consolidation. In the letter mentioned above, BIFA underlined that there were 27 major container shipping lines carrying global containerised trade in 2015,

with the largest having a 15.3% market share. Today, there are 15 carriers organised into three major alliances carrying that trade, with some analysts observing that the market share of a single alliance on certain key routes could be over 40%. The pandemic has highlighted and accelerated this "development," which has also contributed to dreadful service levels and hugely inflated rates, with carriers allocating vessels to the most profitable routes with little regard to the needs of their customers.

The five competition authorities are joining a growing number of organisations, including the OECD's International Transport Forum, the European Association for Forwarding, Transport, Logistics and Customs Services (CLECAT), the International Federation of Freight Forwarders Associations (FIATA), the US Federal Maritime Commission, and the Australian Productivity Commission, in



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calling for governments at a national and pan-national level to give careful consideration to evolving business arrangements in the container shipping market to see whether they are in breach of competition law.

In the US, politicians and, in particular, the US President, concerned with high inflation rates, seem more willing to challenge the shipping lines. In the EU, there is a notable lack of enthusiasm to participate in such action, but that could be because the Block Exemption Regulation is due to be reviewed soon.

Unfortunate language

In a separate development, BIFA has also welcomed the opportunity to consult on frontier issues. We have, however, queried some of the language used in a recent UK Government announcement about a 12-week consultation inviting

respondents' views on the customs intermediary sector, the Simplified Customs Declaration Process (SCDP) and the Transit facilitation, as well as how the consultation has been structured.

BIFA and its members have seen some of the language used in the announcement as critical of the existing players, and especially the work they do and the systems they utilise and deploy, which they believe have been a major reason why work at the frontier has served trade well for many years. Asking them to “re-validate their importance to making the frontier work” and “deliver the evidence

that will determine whether the services they currently provide are easily accessible, high-quality and cost-effective” is an unfortunate language that does nothing to demonstrate how valued the forwarding sector has come to be seen over the last few years.

I would also have expected a little more interest in getting a collective view from the trade association that represents those companies that have kept trade flowing during a tough few years due to the UK's exit from the EU, plus the impact of the COVID-19 pandemic on supply chains. ■



Approximately 1,500 member-strong, the British International Freight Association (BIFA) is the prime trade association for UK-registered companies engaged in the international movement of freight by all modes of transport and/or customs brokerage. Apart from representation, BIFA also provides information and guidance on technical matters, training and development, and industry promotion. Visit [bifa.org](https://www.bifa.org) to learn more.