Hong Kong General Chamber of Commerce
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6 November 2025

Mr Rasul Butt
Chief Executive Officer
Competition Commission
19/F, South Island Place
8 Wong Chuk Hang Rd
Wong Chuk Hang, Hong Kong

Dear Mr Butt,

Re: Second Review of the Competition (Block Exemption For Vessel Sharing Agreements) Order 2017 ("BEO")

The Hong Kong General Chamber of Commerce welcomes the opportunity to express our views on the subject initial consultation.

We recognise that the initiation of the second review of the BEO aims to assess its continued justification in view of market developments since 2022. In this respect, we reaffirm our position[1] that continuation of the BEO is warranted to preserve a stable and predictable regulatory foundation for Hong Kong's shipping and logistics sector. To enhance planning efficiency and align the city with regional standards, we propose renewing the BEO for at least five years.

We also respectfully recommend that the Commission remove the 40% market share threshold stipulated under the BEO, which we believe would be conducive to maintaining a competitive environment for the shipping and logistics sector – a pillar that remains central to Hong Kong's standing in global trade.

We hope you will give our comments your due consideration.

Yours sincerely,

Patrick Yeung
CEO

Encl.

[1] Please refer to the Chamber's response to the Commission's consultation on the first review of the BEO here: https://www.chamber.org.hk/en/advocacy/policy_comments.aspx?ID=544

Public Consultation on Second Review of Block Exemption Order for Vessel Sharing Agreements

Submission by The Hong Kong General Chamber of Commerce (HKGCC)

Introduction

1. HKGCC welcomes the opportunity to respond to this consultation paper (CP).[1] We note from the CP that it is an initial invitation for comments, and that the Commission has stated that it will, after having reviewed information, views and evidence received, publish a proposal for consultation before making a final decision.

2. This CP raises many detailed questions on the state of the market, and market developments, on which industry participants and their trade associations are better placed than HKGCC to comment. We therefore defer to them to provide input on most of these questions. Instead, we focus our comments on three more high-level issues, namely:

   - Should the Block Exemption Order (BEO) be renewed?
   - If so, for how long?
   - Should the BEO continue to contain a market share limit, for liner shipping companies (LSCs) to benefit from it?

Should the BEO be renewed?

3. In our view, the answer to this question is undoubtedly "yes". In response to Q11 of the CP, the BEO continues to be merited to maintain a stable and predictable regulatory environment in Hong Kong, not only (and primarily) for LSCs themselves, but also for other stakeholders in the Hong Kong shipping and logistics sector which deal with LSCs, including freight forwarders, shippers and port operators. A stable and predictable legal environment includes providing legal certainty to all stakeholders, in which the BEO plays an important part. Such an environment is particularly important in Hong Kong, where shipping and logistics is one of our pillar industries. The BEO is working well and provides a clear, stable and predictable environment for all industry players.

4. Moreover, we believe that the efficiencies that Vessel Sharing Agreements (VSAs) produce continue to apply and we are not aware of any competition problems resulting from them.

5. If the BEO was allowed to lapse, LSCs would have two options to ensure compliance with the Competition Ordinance (CO). The first option would be to apply to the Commission for individual decisions on a case-by-case under section

[1] The full title of the CP is *Notice of Initial Consultation regarding the Second Review of the Competition (Block Exemption for Vessel Sharing Agreements) Order 2017 (as varied)*, published on 7 August 2025.

9 of the CO to confirm that their agreements complied with the CO. The second option would be to self-assess whether their agreements complied with the CO. Compared to the current position under the BEO, each of these options would entail significant additional risks, uncertainties, and costs (including, in the case of applications for individual decisions, for the Commission itself, costs that might be passed onto the Hong Kong taxpayer). LSCs may also be subject to frivolous, unfounded and strategically-motivated third party complaints, resulting in further costs and uncertainty.

6. Withdrawing would therefore be contrary to the policy objective of the BEO itself, namely to provide a stable and predictable regulatory environment for the sector. The BEO has set an appropriate framework for regulation, so the focus should be on reviewing whether the conditions in the BEO are still appropriate in the light of market developments (as the CP does), not the existence of the BEO itself.

7. Moreover, in the proposal for its first decision to renew the BEO, the Commission (rightly) recognised that international competition between ports was a relevant factor in deciding whether or not to renew the BEO.

8. The regional and global norm remains to allow exemptions for liner shipping. Not renewing the BEO would therefore put Hong Kong at a competitive disadvantage to other shipping hubs, particularly within Asia.

9. Hong Kong faces intense competition from ports in Mainland China and elsewhere. Renewing the BEO would help ensure that Hong Kong can continue to compete effectively with rival shipping hubs, such as Singapore, Mainland China, Japan, Malaysia, South Korea and Taiwan. Regarding Singapore in particular, its government recently decided (on the recommendation of the Competition and Consumer Commission) to renew its equivalent BEO from 1 January 2025 to 31 December 2029.

10. While the EU and UK have decided not the renew their equivalents of the BEO, the situation in Hong Kong is not comparable:

    - Market conditions in Asia are different, with a more dynamic and fragmented market and a larger number of smaller players. It is also more common for carriers to cooperate outside the global alliances, meaning VSAs are more important than in Europe.

    - Competition law in the EU is very well-established, whereas the competition law regime in Hong Kong was introduced relatively recently. Withdrawing the BEO in Hong Kong would therefore be more damaging than in the EU.

11. Another point to note in this respect is that there has been an increasing trend for owners of large vessels to skip Hong Kong as a transshipment hub because of the extra journey necessitated by the problems around the Red Sea, and the longer journey around South Africa as a result. There has therefore been a growth of smaller vessel owners using Hong Kong as a hub, for which VSAs, and the efficiencies they bring, are even more important.

How long should the BEO be renewed for?

12. Given that the objective of the BEO is to provide a stable and predictable regulatory environment, the longer the period of renewal the better, while still allowing the Commission an opportunity to review the conditions contained in the BEO at appropriate intervals, in the light of market developments. The question is: what period would achieve the appropriate balance between these objectives?

13. In response to the Commission's consultation on the first review of the BEO, HKGCC recommended that the BEO be renewed for five years[2], the same period as provided in the BEO itself for its initial review, instead of the four years proposed by the Commission. Ultimately, the Commission's proposal of four years prevailed.

14. While the Commission's more cautious approach may have been understandable at that earlier stage, we would recommend that it now opts for a period of at least five years for the next review. As noted above, Singapore's equivalent BEO has been extended for a five-year period from 1 January 2025 to 31 December 2029. A more extended period would help to ensure that Hong Kong remains competitive with other regional shipping and logistics hubs.

15. Moreover, the burden and uncertainty on the industry of having to provide detailed responses to the Commission on the next review, after only three years of the last renewal, should not be under-estimated. A much longer period, would, in our view, be more reasonable and appropriate.

Should the BEO continue to contain a market share limit?

16. In its response (dated 6 June 2022) to the Commission's consultation on the last review, HKGCC questioned the concept of setting a market share limit, above which LSCs would not benefit from the BEO, for a number of reasons. HKGCC continues to ask for a reconsideration of such a market share limit. Our reasons include the following:

    - Imposing such a market share limit would be contrary to the BEO's objective of providing legal certainty. Not only would withdrawing the benefit result in the extra legal uncertainty and costs described earlier in this submission, defining markets and assessing market shares is in itself an uncertain, imprecise and time-consuming exercise.

    - Choosing a market share percentage above which it is *presumed* that the *definite* efficiencies of vessel-sharing agreements, will be outweighed by their *possible* adverse effects on competition is an arbitrary exercise. Markets can be highly-competitive even at market shares of 40 per cent or above. There is no reason to presume that they are not. Nor is there any to reason to take the draconian step of withdrawing the benefits of the BEO on the basis of a presumption that, at this market share level any hypothetical anti-competitive

[2] https://www.chamber.org.hk/en/advocacy/policy_comments.aspx?ID=544

effects outweigh the undoubted substantial efficiencies of VSAs. It is preferable to make such an assessment based on actual facts, rather than an *ex ante* presumption.

- We are not aware of any other jurisdiction in the region which imposes such a market share limit in their BEOs. Doing so could therefore place Hong Kong at a competitive disadvantage compared with its regional competitors in the shipping and logistics sector.

Conclusion

17. We hope that the above comments are helpful, and look forward to the opportunity of providing input on the Commission's proposal on the way forward, when it is published for consultation.

HKGCC Secretariat
November 2025