International Transport Forum

Container Shipping in Europe

Data for the Evaluation of the EU Consortia Block Exemption

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The International Transport Forum

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ITF Working Document

Cite this work as: ITF (2019), "Container Shipping in Europe: Data for the Evaluation of the EU Consortia Block Exemption", Working Document, International Transport Forum, Paris.

Acknowledgements

This report was written by Olaf Merk, in the context of the EU Evaluation of the Consortia Block Exemption Regulation. It builds on the International Transport Forum (ITF) report "The Impact of Alliances in Container Shipping", released in November 2018. Invaluable data contributions were provided by Sea Intelligence, UNCTAD and Alphaliner. Feedback and comments on a draft version of the report were provided by Stephen Perkins, Michael Kloth and Hilary Gaboriau of the ITF. The report benefits from discussions held during the ITF Stakeholder Meeting on Container Shipping, organised 8 February 2019 in Paris at the OECD.

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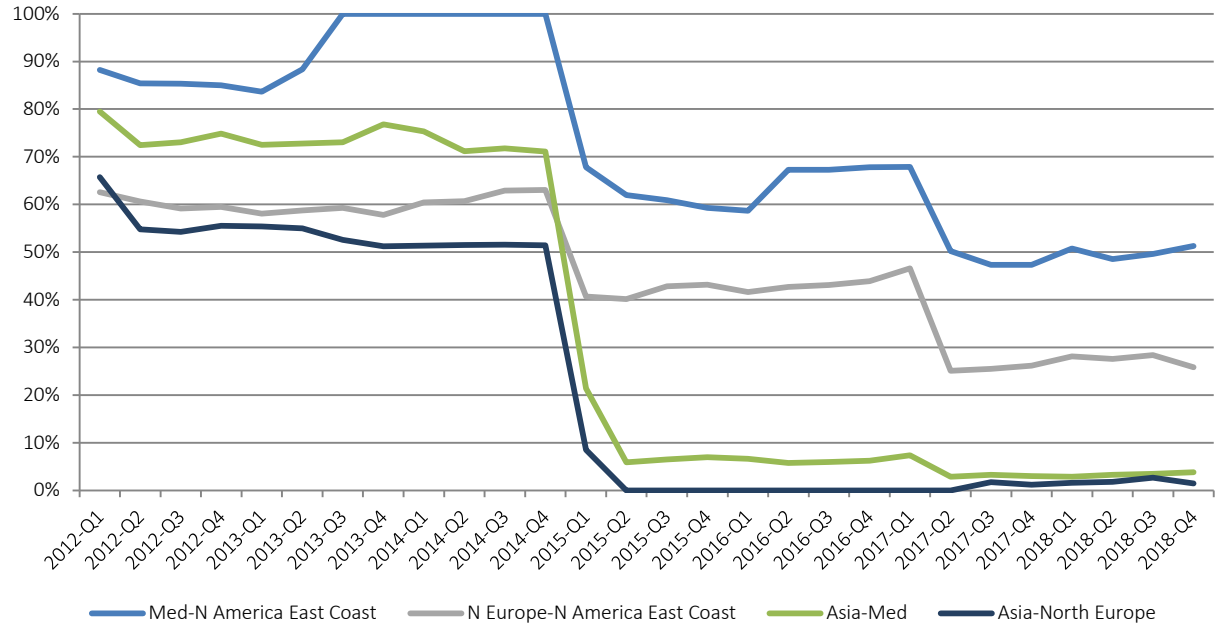
Market shares

Market share data are important for assessing risks of potential market power and potential abuse of market power. This section presents the available data on market shares in container shipping related to European trade lanes. It looks at concentration with regards to shipping lines. Concentration in terminal operations and ancillary services will be treated in the next chapter. It is argued here that data availability would need to improve for effective implementation of competition regulation for liner shipping.

Market shares by alliance

Within the past five years, alliances have become the dominant players on the main East-West routes involving Europe (North Europe, Asia-Mediterranean (Asia-Med), North Europe-North America East Coast and Mediterranean-North America East Coast (Med-North America East Coast)). Until 2015, all alliances combined held market shares below 50% on all of these four trade lanes, ranging from 49% (Asia-North Europe) to 0% (Med-North America East Coast) in the last quarter of 2014. This changed in 2015 with the arrival of the 2M and O3 Alliances. The market share of non-alliances has decreased further in 2017 when container shipping witnessed the transition from four to three liner shipping alliances (Figure 1).

Figure 1. Market shares of non-alliances on main European trade lanes per quarter, 2012-2018



Source: based on data from Sea Intelligence.

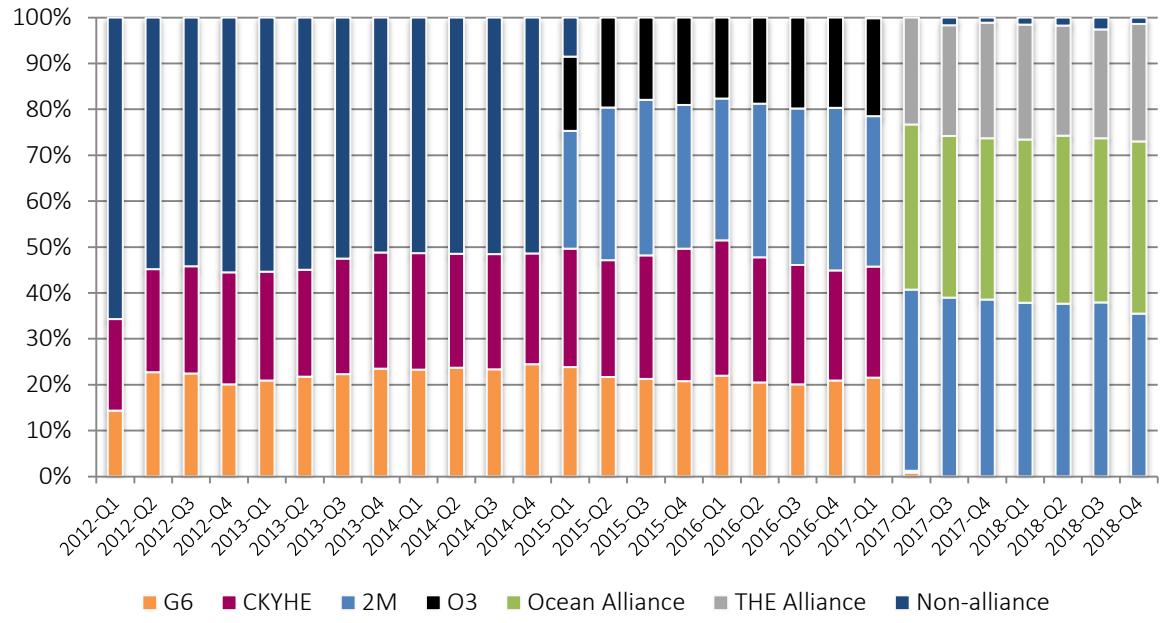
This transition in 2017 has also resulted in larger market shares for the remaining three alliances (Table 1). The 2M alliance has the largest market share on the Asia-Med trade lane (39% in the fourth quarter of 2018) and had the largest market share on the Asia-North Europe trade lane until the fourth quarter of 2018 when its share of 35% was surpassed by Ocean Alliance (38%). Ocean Alliance is the second largest alliance on Asia-Med, whereas the capacity deployed by THE Alliance is considerably lower on both trade lanes (figures 2 and 3).

Table 1. Three global container shipping alliances and their members, November 2018

Alliance	Carriers
2M	Maersk, MSC
Ocean Alliance	CMA CGM, Cosco, Evergreen
THE Alliance	Hapag Lloyd, ONE, Yang Ming

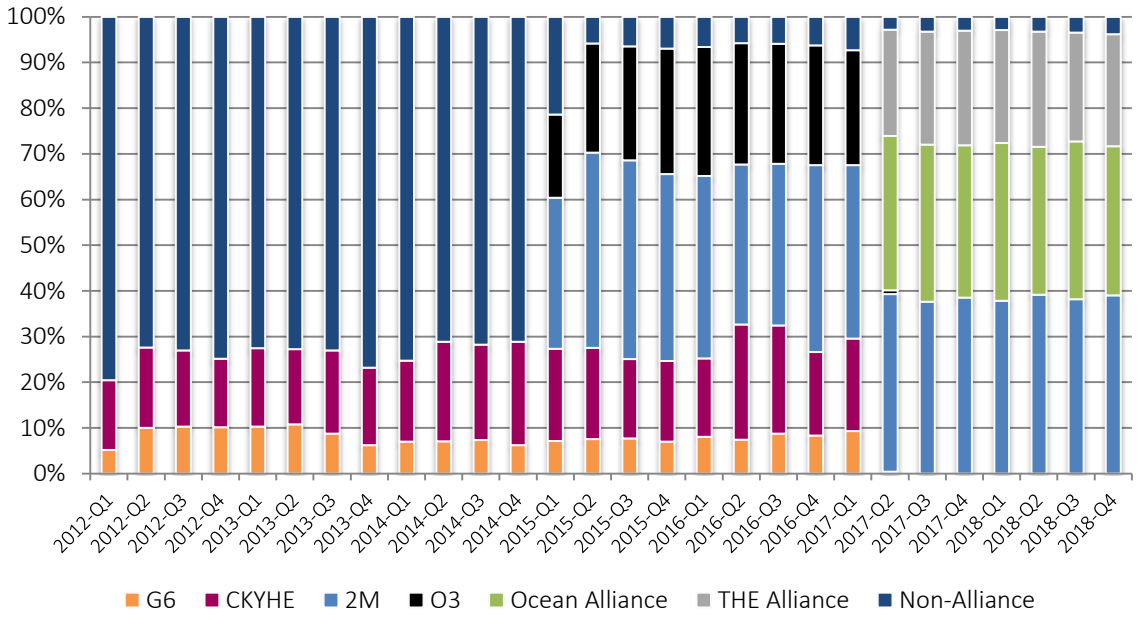
Source: ITF, 2018.

Figure 2. Market shares on Asia-North Europe trade lane, development per quarter 2012-2018



Source: Sea Intelligence.

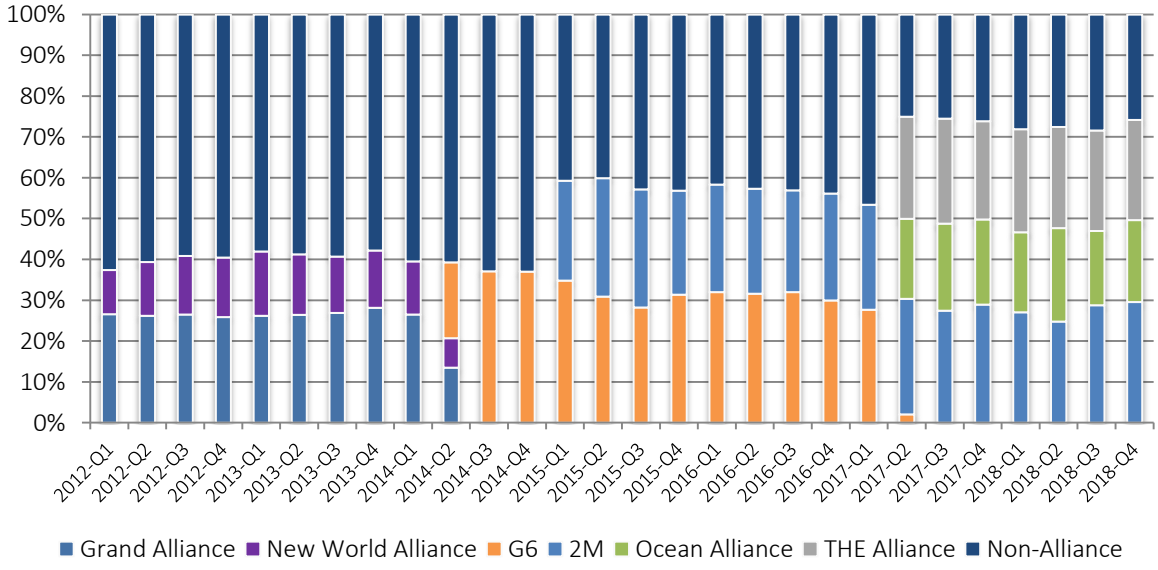
Figure 3. Market shares on Asia-Med trade lane, 2012-2018



Source: Sea Intelligence.

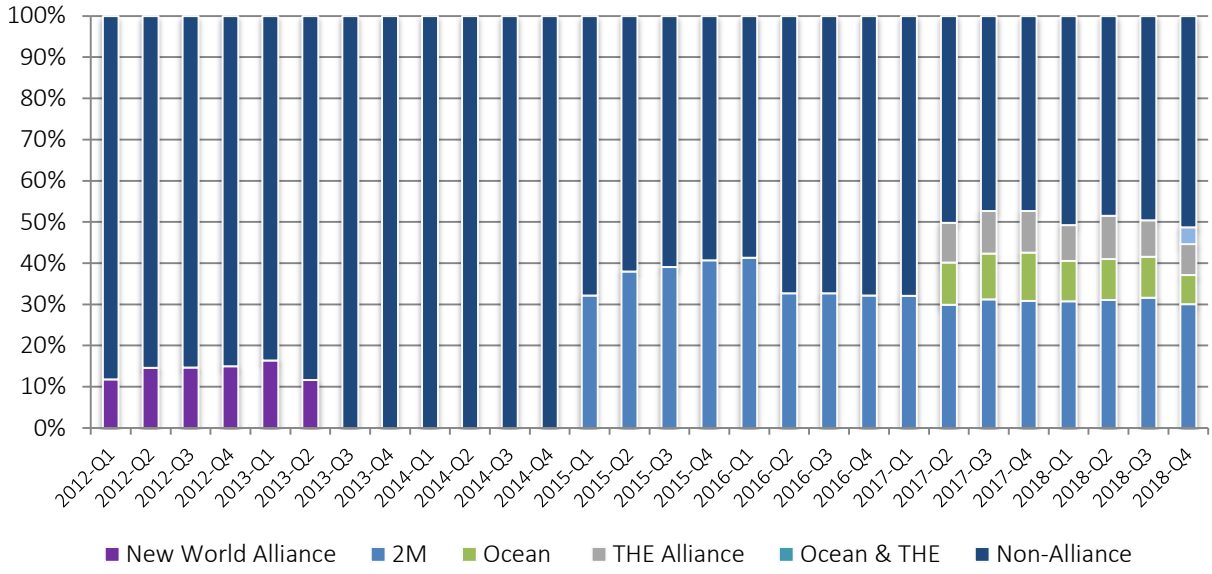
The market shares of individual alliances are smaller on the Transatlantic trades, with none of the alliances exceeding 30% on either the North Europe-North America East Coast or Med-North America East Coast trade in the fourth quarter of 2018 (figures 4 and 5). 2M has the largest market share on both trade lanes. THE Alliance has the second-largest market share for Transatlantic trades.

Figure 4. Market shares on North Europe-North America East Coast trade lane, 2012-2018



Source: Sea Intelligence.

Figure 5. Market shares on Med-North America East Coast trade lane, 2012-2018



Source: Sea Intelligence.

This can all be concluded from data collected by Sea Intelligence. This dataset has been established by tracking all vessels deployed on all service in all major deep-sea markets, and then tracking which vessel is deployed in each given week across some common fix point, e.g. Suez Canal for Asia-Europe services or last port in Asia for Transpacific ports.

The market shares presented above are based on fleet capacity deployed by alliances on these trade lanes. They do not represent the actual TEU volumes transported by alliances on these trade lanes. There is a difference between capacity and actual volumes of carriers and alliances, as some carriers and some alliances will be better in utilising their capacity than others (so be able to transport higher TEU volumes with the same capacity). In a situation of average fleet utilisation of 75%, it is not extreme to assume that the best performing carrier manages to utilise 90% and the worst performing carrier 60%. Margins like these could mean that, at times, there are considerable differences between capacity market shares and volume market shares. However, capacity market share can generally be considered a relatively decent proxy for volume market share, as no alliance can be massively under-utilised for any extended period of time without adjusting capacity to the available demand.

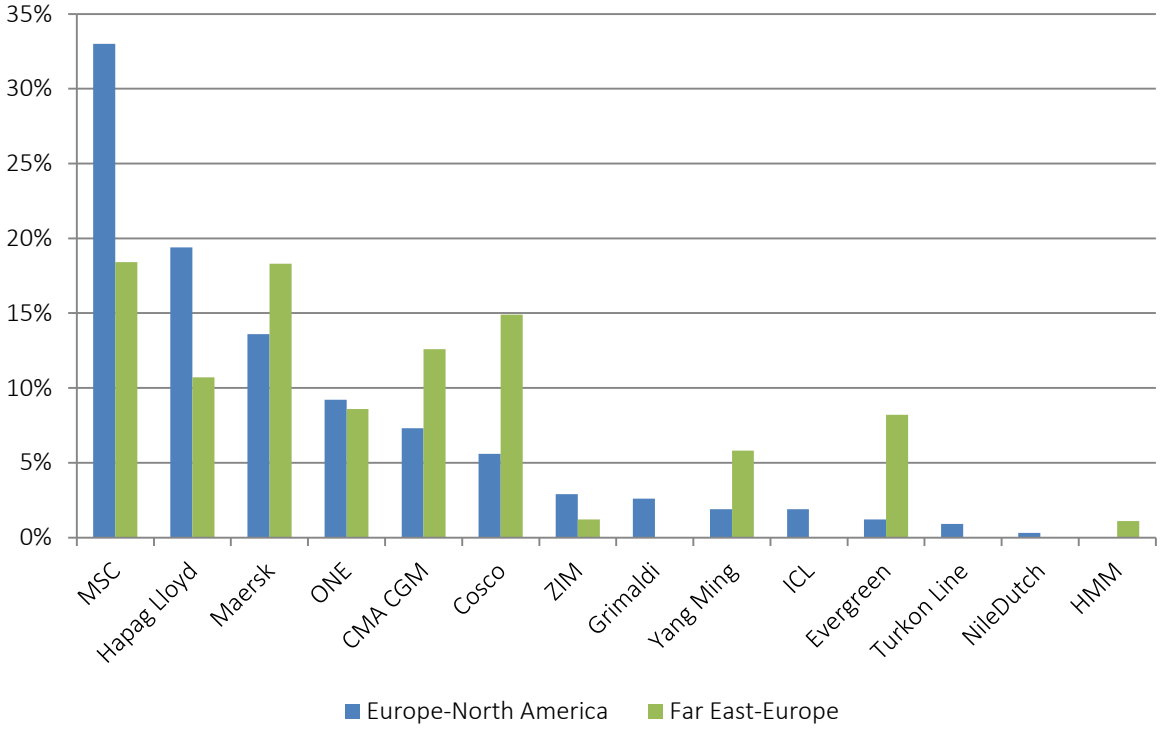
Market share by carrier

There is no public information on the capacity market share by carrier for the trade lanes dominated by alliances, the East-West trades. Put differently, we do not know the size of the alliance capacity allocated to each carrier, nor the share allotted to slot charterers (e.g. how much of the 2M capacity on Asia-Europe is allotted to HMM or ZIM). In general terms, alliance carriers get roughly the share of capacity matching their commitment to the alliance: if carrier X provides vessels for 35% of the total alliance capacity, they will receive roughly 35% of the capacity across the alliance. However, there is no reason to assume that this split would be equal across the trade lanes, as the different carriers will have different market priorities, and the alliance is partly a vehicle for allowing the trading of capacity across different trade lanes. It is also entirely possible that carrier X only gets a total 25% of the total alliance capacity,

even if they have committed 35%, if e.g. they receive a larger share in a trade lane deemed more "valuable", but this depends on how carriers trade allocations internally in the alliance, a subject about which not much publicly-available knowledge exists.

There are studies that provide ship capacity shares by carriers for certain trade routes, based on each carrier's schedules and their fleet deployment on those routes. These studies mostly ignore and take for granted the fact that these ships might carry cargo for a different carrier via alliances, vessel sharing agreements or slot charters, for example. A comprehensive overview of such cooperative agreements currently does not exist, so this is impossible to account for fully. Overviews of ship capacities on trade lanes are produced by maritime consultancies such as Alphaliner, Drewry and Dynamar, for example on main East-West trade lanes (Figure 6).

Figure 6. Capacity market shares by carrier on trade lanes with Far East and North America, February 2019



Source: Alphaliner.

In theory, actual volume market share by carrier could be estimated. In practice, however, this is only possible by making many assumptions that render the estimation highly speculative. Five major container carriers provide actual transported volumes by trade lanes in their quarterly and annual accounts: Cosco, Hapag Lloyd, OOCL, HMM and ONE. These carriers present their data in a highly aggregated manner, such as on the level of Asia-Europe and Transpacific, and do not use the same trade definitions. One carrier will include Asia-Middle East under Asia-Europe, but only include head-haul cargo, while a different carrier will include both head-haul and back-haul, exclude Middle East, but include Asia-Africa. This makes any comparison problematic. Furthermore, such a comparison would only be possible for the five carriers that do provide trade demand figures. There are four other carriers that only provide global volume figures: Maersk, CMA CGM, Yang Ming and ZIM. In order to estimate their

volumes per trade, one would first have to estimate their trade-by-trade capacity allocation – which is difficult, for reasons explained above - and then assume their utilisation level in each trade. Finally, there are also carriers, such as MSC, that do not publish quarterly or annual accounts. Taken together, these factors explain why there are no reliable volume market share data by carrier in the public domain.

There is only one source that could be used to determine carrier market shares of actual volume data. Liners share carrier and market demand data via World Liner Data Limited (WLDL) (Box 1). The WLDL database is derived from data supplied by major container shipping lines. Their exclusive agent is Container Trades Statistics Ltd (CTS), which promotes and sells data on behalf of WLDL. The carrier level volume data for 447 global trades are available with a time lag of a few months, for commercial reasons. These carrier-specific data come with a very substantial price tag, so are in practice not publicly available.

Box 1. World Liner Data Limited

World Liner Data Limited (WLDL) is one of the vehicles used by carriers to exchange data. WLDL is a British mutual company founded by senior executives from five European carriers in 2010 (Maersk, MSC, Hapag Lloyd, CMA CGM and Hamburg Süd). Since then membership has increased to 18 members at the end of 2017. Only liner vessel operating common carriers can become members of WLDL. The directors of WLDL are representatives of various shipping lines. Directors approve membership applications. All transactions with members are on the same terms and are governed by members' agreements.

The primary purpose of WLDL is to collect and manage volume and rate data of their members globally on their behalf and to make these data available to members as appropriate and to third parties. This includes the centralising, compiling, aggregating and exchanging of these data (FMC, 2011). The World Liner Data Agreement filed with the US Federal Maritime Commission gives a good impression of the sort of data that can be collected. Data that WLDL has been allowed to collect are demand forecasts, supply forecasts, volumes moved by the members in each direction of trades, and a periodic index split by dry and reefer cargo reflecting average revenue per TEU earned by the members per trade direction. Members are authorised to meet and discuss the above data, provided that these data are made available to the public as the members may agree from time to time and that commercially sensitive issues are not discussed (FMC, 2011). Members are not authorised to discuss or agree upon the vessel capacity to be deployed by any of them, nor can they discuss or agree on rates, charges or terms, or conditions of transport to be offered by any of them.

Member carriers submit data to WLDL and receive aggregated and individual volume data per trade. Membership rights might be suspended if a member has failed to submit data, and terminated if a member fails to do so on more than one occasion.

On 30 September 2010, WLDL entered into an arm's-length commercial services agreement with Container Trades Statistics Limited, with whom it has key management in common, to provide data management services to the members of World Liner Data Limited. The fee for the provision of these services during the year 2017 was GBP 1 267 684.

Source: World Liner Data Limited (2018), Registrar of Companies for England and Wales (2010)

Are alliances covered by the EU Block Exemption Regulation?

European Union (EU) regulation provides for an exemption regime for certain categories of cooperation agreements, notably consortia agreements (EC, 2009): the EU Consortia Block Exemption Regulation (BER). Consortia agreements are agreements that aim to promote or establish cooperation in the joint operation of maritime transport services between liner shipping companies, for the purpose of rationalising their operations by means of technical, operational or commercial arrangements. In the regulation, consortium agreements are considered to contribute positively to the overall productivity and quality of maritime transport services. In practical terms, the regulation allows shipping companies to conclude cooperation agreements for the joint operation of liner shipping services, such as sharing vessels or other shipping equipment, and cooperation related to space and slots on vessels.

The precise definition of consortia in the EU Consortia Block Exemption Regulation is "an agreement or a set of interrelated agreements between two or more vessel-operating carriers which provide international liner shipping services exclusively for the carriage of cargo relating to one or more trades, the object of which is to bring about cooperation in the joint operation of a maritime transport service, and which improves the service that would be offered individually by each of its members in the absence of the consortium, in order to rationalise their operations by means of technical, operational and/or commercial arrangements" (EC, 2009)[1].

Alliances fall within that definition and can thus be considered consortia. However, the World Shipping Council (WSC) – the representative organisation of the global container shipping industry – has stated that alliances are no longer covered by the EU Consortia Block Exemption Regulation (BER), whereas (other) consortia are (WSC, cited in AJOT, 2018). It has provided a list of consortia that it considers to be covered by the BER (WSC et al 2018).[2]

The question of which consortia are still covered by the BER can be answered by applying the market share threshold formula for consortia. This threshold "should normally ensure that the agreements to which the block exemption applies do not give the companies concerned the possibility of eliminating competition in a substantial part of the relevant market in question"[3]. If consortia exceed this threshold the EU block exemption regulation is no longer supposed to apply. (EC, 2009)

This market threshold is outlined in fairly broad terms in the regulation. Article 5 (1) prescribes that in order to qualify for the block exemption "the combined market share of the consortium members in the relevant market (…) shall not exceed 30% calculated by reference to the total volume of goods carried in freight tonnes or 20-foot equivalent units."[4] In Article 5 (2) more precision is added: it indicates that, for the purpose of establishing the market share of a consortium member, the total volumes of goods carried by the member in the relevant market shall be taken into account irrespective of whether those volumes are carried within the consortium in question, within another consortium to which the member is a party, or outside a consortium on the member's own or on third party vessels. The block exemption shall continue to apply if the market share threshold is exceeded "during any period of two consecutive calendar years by not more than one tenth".[5] Moreover, the exemption "shall continue to apply for a period of six months following the end of the calendar year during which it was exceeded".[6] (EC, 2009)

There is currently no way in which EU regulators or stakeholders can determine with certainty if – and which – alliances are still below the threshold.

First, the volume market shares by alliances are not available. Volume data per trade lane per carrier are only collected by WLDL/CTS and not available in the public domain. Volume data per trade lane per alliance do not actually exist for the reasons mentioned above: we do not know the size of the alliance capacity allocated to each carrier, nor the share allotted to slot charterers. Capacity share provide some

sort of a proxy, but only if the differences in fleet utilisation between alliances are limited. However, it is likely that there are considerable differences between carriers – and alliances – in this respect.[7] In that case capacity shares can be misleading. For example, in the calendar year 2018, Ocean Alliance had a capacity market share on the Asia-North Europe trade lane of 36.4%, well above the market threshold of the EU Consortia Block Exemption Regulation. However, if their fleet utilisation over this period was 90% of the industry average on this trade lane, their market share was 32.7%, so still within the boundaries where the regulation applies (namely 30% plus the 10% grace period referred to above). This guarantees that the block exemption shall continue to apply if the market share threshold is exceeded "during any period of two consecutive calendar years by not more than one tenth" (EC, 2009). As an aside, but related, is what the practical implication would be if an alliance exceeded the market share threshold on one trade lane or trade leg, but not on others, considering that the alliances are managed as integrated cooperation, not per trade lane.[8]

Second, the EU Consortia Block Exemption Regulation addresses the combined market share of the consortium members and makes clear that this should also take into account the shares via other consortia. This combined market share can only be determined if there is information available to assess it. Contrary to the United States or Canada, the EU does not oblige carriers to file consortia. As a result, EU regulators must depend on different sources to gather this information. As such information is not publicly available, it is doubtful that the regulator disposes of such information on a regular basis. Considering that carriers take part in multiple consortia, there is an interlinked network of consortia that, if regarded in isolation, could give rise to underestimation of combined market shares of alliance members.

Third, it is not clear how the provision in Art. 5 (3), which states that the block exemption shall continue to apply if the market share threshold is exceeded "during any period of two consecutive calendar years by not more than one tenth" (EC, 2009), should be interpreted. It could imply that the BER no longer applies if at any point during those two calendar years the market share exceeds 33%. Or, it could imply that the BER no longer applies if the market share has exceeded 33% for a period of two consecutive calendar years. Depending on the interpretation, Ocean Alliance, an alliance that started in April 2017, may or may not still be covered by the BER as it cannot yet have exceeded 33% for two consecutive calendar years.

Which consortia are covered by the EU Block Exemption Regulation?

Annex 1 of the submission of WSC et al. (2018) listed a number of different consortia on trades to and from Europe. These consortia were put together in broad groupings (Europe-North America; Europe-Middle East-Indian Subcontinent-Far East-Australia and New Zealand; Europe-Africa; Europe-South America; Intra-Europe) that were too broad to be useful for analysis of market concentration in the context of the BER.

Using a dataset from Sea Intelligence that is similar in nature to the one used in WSC et al. (2018), the International Transport Forum (ITF) established over the same period (earlier November 2018) which consortia where active on specific trade lanes to and from Europe, including their average weekly capacity. With this information it is possible to assess the market share of individual consortia and the market share of consortia members, taking their shares as sole operators and of the consortia they are part of. As there is no information available on the exact carrier volumes carried in each consortia or slot charter agreement, there is no possible way to establish the exact market share as required by article 5 of the BER. However, based on the ITF's analysis, it is possible to establish which consortia exceed and

fall below a combined market share threshold of 30%, as intended by the BER (using capacity as a proxy for volumes carried), and which consortia are *likely* to exceed or fall below the threshold. The results of this analysis are presented in Table 2 (all consortia including alliances) and Table 3 of consortia, excluding alliances. These tables are based on analysis per trade lane (Annex 1).

Table 2. Capacity shares of consortia (including alliances) on trade lanes with Europe, November 2018

Trade lane	Number of consortia	Capacity share above 30%	Capacity share likely above 30%	Capacity share likely below 30%	Capacity share below 30%
Asia-North Europe	3	2			1
Asia-Mediterranean	3	2			1
Europe-Middle East	9	1	5	2	1
Europe-Indian Subcontinent	9	1	6		2
Europe-Oceania	2	1	1		
North Europe-North America East Coast	7	1	4		2
Mediterranean-North America East Coast	4	1	1		2
North Europe-East Coast South America	2	1			1
Mediterranean-East Coast South America	1	1			
North Europe-West Coast South America	1	1			
Mediterranean-West Coast South America	1	1			
North Europe-West Africa	1		1		
Mediterranean-West Africa	1	1			
North Europe-Southern Africa	1	1			

Source: based on WSC et al. (2018) and Sea Intelligence.

Out of the 27 consortia identified (excluding alliances), only four fell with certainty below a market share of 30%. Seven exceeded the threshold with certainty. But for most of the consortia there is no absolute certainty whether they exceed the threshold, due to the fact that no data are available on the exact shares of carriers in consortia – and slot charter agreements. However, it seems likely that 15 out of 27 consortia exceed the threshold – in addition to the seven for which this can be established with certainty. These findings are remarkable for three reasons.

First, contrary to what stakeholders and regulators seem to believe, the majority of the consortia (22 out of 27) on trades to and from Europe most likely exceed the combined market share threshold. This means that these consortia are likely no longer covered by the EU Consortia Block Exemption Regulation. This raises the question of how to justify a regulation that no longer applies to the large majority of consortia.

Second, the market share threshold does not seem to contribute to legal certainty for carriers, other transport stakeholders and regulators. The current provision on the threshold requires data that nobody seems to have – not even the carriers themselves – so it is impossible to establish for most consortia with absolute certainty if they have exceeded the threshold or not.

Third, the large majority of identified consortia are established by the eight largest global carriers that are also active in the three global alliances. Many of the consortia formed on North-South routes are bringing together carriers from different alliances, for example, CMA CGM (active in Ocean Alliance) and

Hapag Lloyd (THE Alliance). One could wonder how the need to align North-South connections to the East-West networks impacts intra- and inter-alliance collaboration.

Table 3. Capacity shares of consortia (excluding alliances) on trade lanes with Europe, November 2018

Trade lane	Number of consortia	Capacity share above 30%	Capacity share likely above 30%	Capacity share likely below 30%	Capacity share below 30%
Asia-North Europe	-				
Asia-Mediterranean	-				
Europe-Middle East	6		5	1	
Europe-Indian Subcontinent	6		5		1
Europe-Oceania	2	1	1		
North Europe-North America East Coast	4		3		1
Mediterranean-North America East Coast	1				1
North Europe-East Coast South America	2	1			1
Mediterranean-East Coast South America	1	1			
North Europe-West Coast South America	1	1			
Mediterranean-West Coast South America	1	1			
North Europe-West Africa	1		1		
Mediterranean-West Africa	1	1			
North Europe-Southern Africa	1	1			

Source: based on WSC et al. (2018) and Sea Intelligence

Are the "relevant markets" still relevant?

Trade lanes often refer to geographies that can no longer be considered to be "relevant markets" for shippers and ports – and thus for carriers. Competition assessment in the EU focuses on competition along trade lanes such as Asia-North Europe, Asia-Med, and North Europe-North America East Coast, etc. This arguably does not reflect the reality of most shippers that are dependent on a limited selection of relatively nearby ports. A more fine-grained market share definition could help to bring competition assessments in line with the practice of competition for containerised cargo. Container ports compete with each other for cargo, but most of this competition takes place between ports in the same region. Europe could be considered to consist of 11 main container port regions, in addition to a few "stand-alone" container ports. These port regions have captive hinterlands that are difficult to capture by ports located further away. [9]

Implications for the Evaluation of the Block Exemption Regulation

The analysis above suggests a potential for clarification of the EU Consortia Block Exemption Regulation, in case the regulation were to be extended. In particular, the following points should be addressed:

- Clarify the provision on exceeding the threshold during "two consecutive years".

- Consider using other indicators than cargo volumes to determine the threshold. Market data on *capacity* of carriers/consortia on trade lanes are more easily available than actual *volumes* per carrier/consortia per trade lane.
- Increase data transparency on consortia, in particular: what are the consortia active on trade lanes to and from Europe, and which ones are still covered by the EU Consortia Block Exemption Regulation? Considering the rate of change in the industry, such data – to be publicly available – would need to be updated regularly to be of relevance to regulators and stakeholders.
- Evaluate the relevance of the "relevant market" definitions. For dense trade lanes, such as the East-West trades, the relevant markets could be more closely aligned to practical realities of shippers and ports.

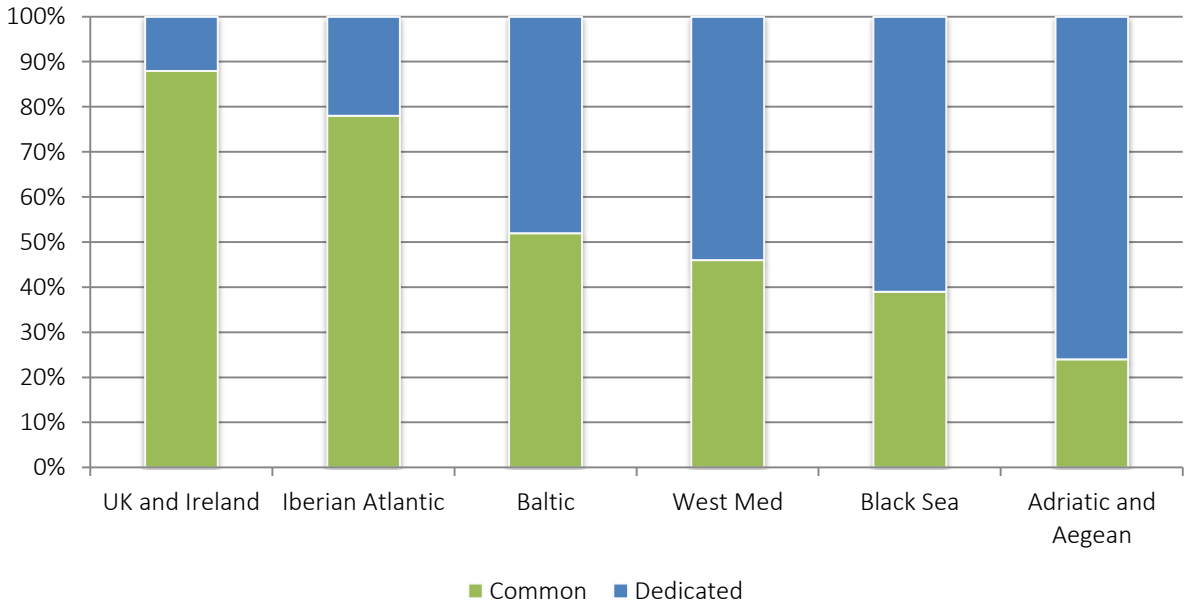
Vertical integration

Feeder operations

Feeder operators can be common or dedicated operators. Dedicated feeders exclusively work for one carrier, whereas common feeders carry containers from a variety of customers (mainlines). Most of the largest container carriers are active as dedicated feeder operators for their own vessels, such as MSC, Evergreen, Hapag-Lloyd and Cosco. However, Maersk and CMA CGM offer both dedicated and common services. The largest dedicated feeder operators on the European market are MSC, Maersk, CMA CGM and Hapag Lloyd. Large common feeder operators active in Europe are Maersk (Seago), Arkas, Unifeeder, X-Press, Samskip and WEC. Of these common feeder operators operating in Europe, most are European-based, including Seago, Unifeeder, Samskip and WEC.

There is a sharp difference between the market shares of common and dedicated feeder operators in North and South Europe: mostly common feeders in the North (68%), mostly dedicated feeders in the South (59%). The differences are more pronounced when looking at a more disaggregated level. The market share of dedicated feeder operators in the United Kingdom (UK) and Ireland is 12%, around 50% in the Baltic Sea and West Mediterranean (West Med), and 78% in the Adriatic and Aegean seas (Figure 7). We follow here the geographical demarcation as applied in Dynamar (2018). Note that the market shares relate to total annual trade capacity, not actual volumes.

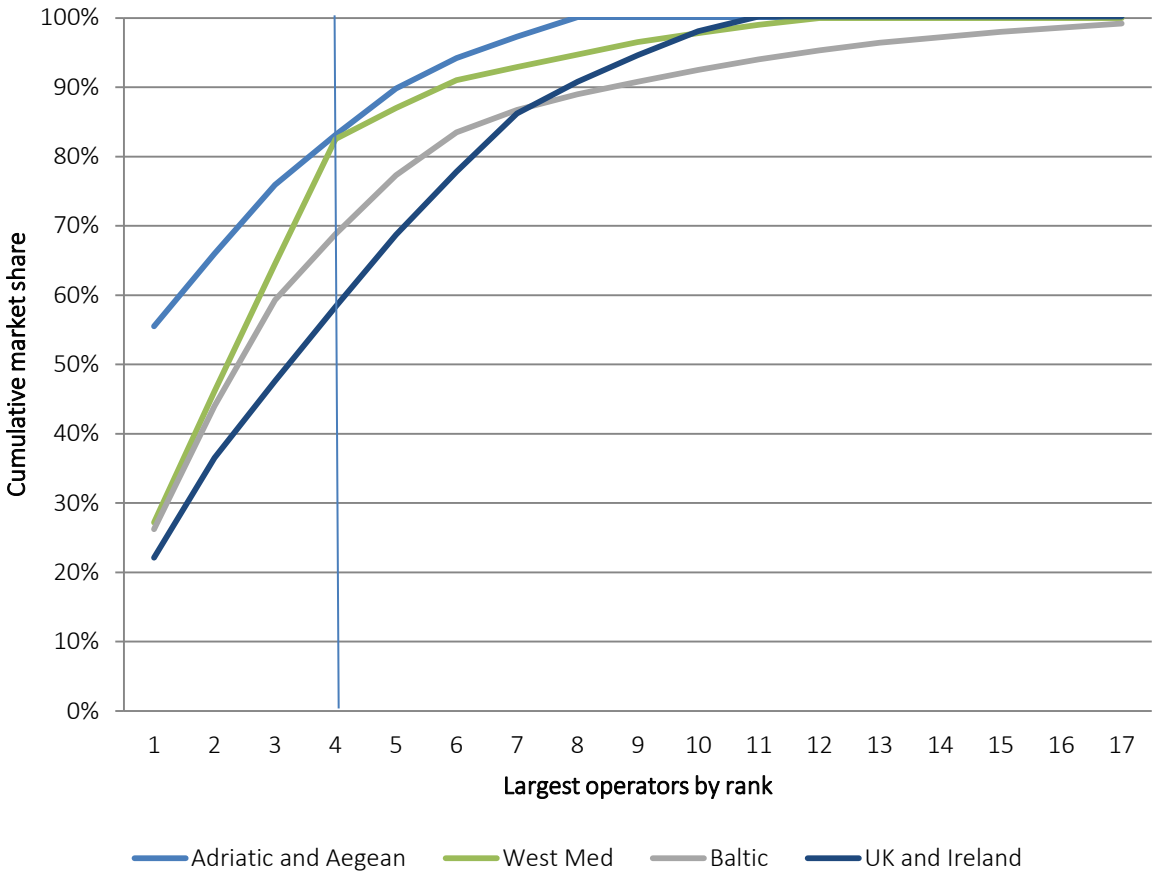
Figure 7. Share of common and dedicated operators in European regions



Source: based on data from Dynamar (2018).

Feeder markets in Southern Europe are generally more concentrated than in Northern Europe. The cumulative market share of the four largest feeder operators in West Med and the Adriatic and Aegean reaches 83% in both cases; this is 69% for the Baltic Sea and 58% for the UK and Ireland (Figure 8). In the Adriatic and Aegean the feeder operator MSC has a market share of 56%.

Figure 8. Market concentration of feeder operations in different European regions



Source: based on data from Dynamar (2018).

There has been a tendency of absorption of independent feeder lines by carriers and, recently, also by terminal operators like DP World and Unifeeder. As a result, the position of independent feeder lines has declined. In 2018, there was only one independent feeder operator in the top five for intra-North Europe shipping: X-Press Feeders, with a market share of 7%, after the market leaders MSC, Maersk, Unifeeder and CMA CGM. In 2006, the first three feeder operators on this market were independent operators: Unifeeder, Delphis and Samskip according to data provided by MDS Transmodal.

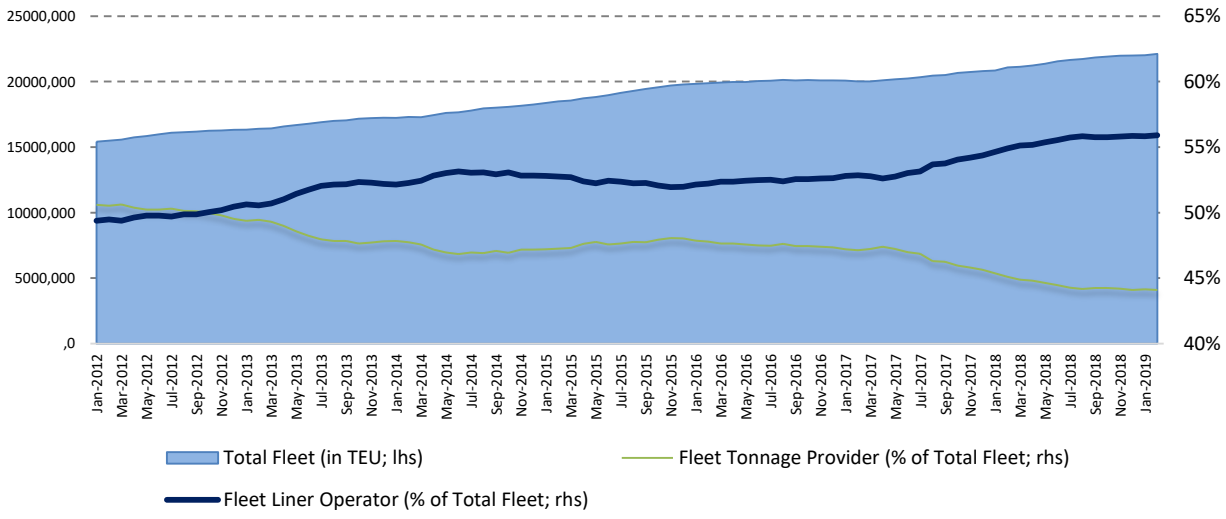
Tonnage providers

Carriers rely to a significant degree on tonnage providers. These are ship owners that do not operate their ships, but charter them out to liner shipping companies that operate their ships for them. On average, approximately half of the ships of the global carriers are chartered in, the other half is owned by carriers themselves. But there are considerable differences between carriers: the share of chartered-in tonnage of the eight global carriers ranged from 37% to 70% in January 2019. Using chartered ships provides carriers with more flexibility to adapt to changes in demand than they would be able to do if they fully owned their fleet.

There are several tonnage providers in Europe, e.g. in Germany and Greece, but their position in container shipping has declined over the last years. This can be illustrated with two indicators. First, the

share of container fleets provided by tonnage providers has decreased over the last decade, from 50% in January 2012 to 44% in January 2019 (Figure 9). Secondly, Asian tonnage providers have gained market shares at the expense of European tonnage providers. These are often Asian leasing companies for the account of liner operators. The share of tonnage provided by EU tonnage providers in January 2012 was 88%. In January 2019, it was 61% (Annex 3). This share will decline further considering that the Asian tonnage providers (such as Shoei Kisen, Eastern Pacific, China Merchants Bank) have a large amount of tonnage in the order book. The decline of European tonnage providers can, to a large extent, be explained by the emergence of alliances and mega container ships.

Figure 9. Share of container fleets provided by tonnage providers



Source: based on data from Alphaliner.

Consolidation and the increased dominance of alliances have increased the monopsony power of alliances and carriers vis-à-vis tonnage providers. For example, Maersk operates about 4 mln TEU, which is as much as the ten largest tonnage providers could provide together. For many trade lanes and container ship size types, consolidation and consortia have reduced the number of clients to just a handful.

There are indications that consortia engage in joint purchasing with tonnage providers. The way in which this is done is highlighted in one of the submissions to the consultation on the EU Consortia Block Exemption Regulation: "If a consortium of e.g. three members has a charter requirement for say 3 x 5,000 TEU ships (which it cannot fulfil with existing tonnage of its own members), the respective members will not try to serve their demand individually. The consortium (via one of its members) will typically only tender out one vessel requirement first and only disclose the demand for the second and third vessel once the preceding requirements are fulfilled. That way, the consortium members would no longer need to compete against each other in terms of purchase pricing" (Anonymous, 2018).

The increase in the size of containerships has amplified this dynamic. The majority of the ship order book is allocated to ships with a capacity of more than 10,000 TEU. Nearly all of these ships are operated by alliances; the ships are either owned by the alliance carriers, or by a tonnage provider that can only charter out these ships to alliance carriers, but hardly to any other carrier. This makes tonnage providers highly dependent on just a few takers.

Another effect of consortia is the decline of high quality tonnage, frequently provided by EU tonnage providers. Consortia often have no quality criteria with regards to the tonnage capacities to be distributed. A consortium member has little economic incentive to charter a high quality ship (e.g. more efficient and better maintained) because the consortium member does not know whether its containers will be transported on the high-quality ship or a lower-quality ship as chartered in by its consortium members. The cheaper the contributed vessel, the better the outcome for the individual consortium member in the intra-consortium financial distribution (Anonymous, 2018). This has various implications. First, high-quality European ship owners might turn to more rewarding shipping sectors with a larger variety of customers, such as the bulk sector. Second, high-quality tonnage is often more energy efficient, so the decline of high-quality tonnage due to consortia could have an upward effect on fuel consumption and greenhouse gas emissions.

Consortia and consolidation in liner shipping have contributed to artificially low charter rates and shorter charter periods than before. Even though ocean freight rates – paid by shippers to liner operators – have stabilised over the last years, charter rates – paid by liner operators to tonnage providers – have remained low. If charter rates are kept artificially low for larger ships, charter rates for smaller ships cannot increase beyond a certain point as they can be replaced by bigger ships that alliance members own themselves. Moreover, since 2015 and 2016, various operators fix more flexible periods (e.g. 1-24 months in charterer's option) instead of fixed periods of, for example, three years that had been common in preceding years.

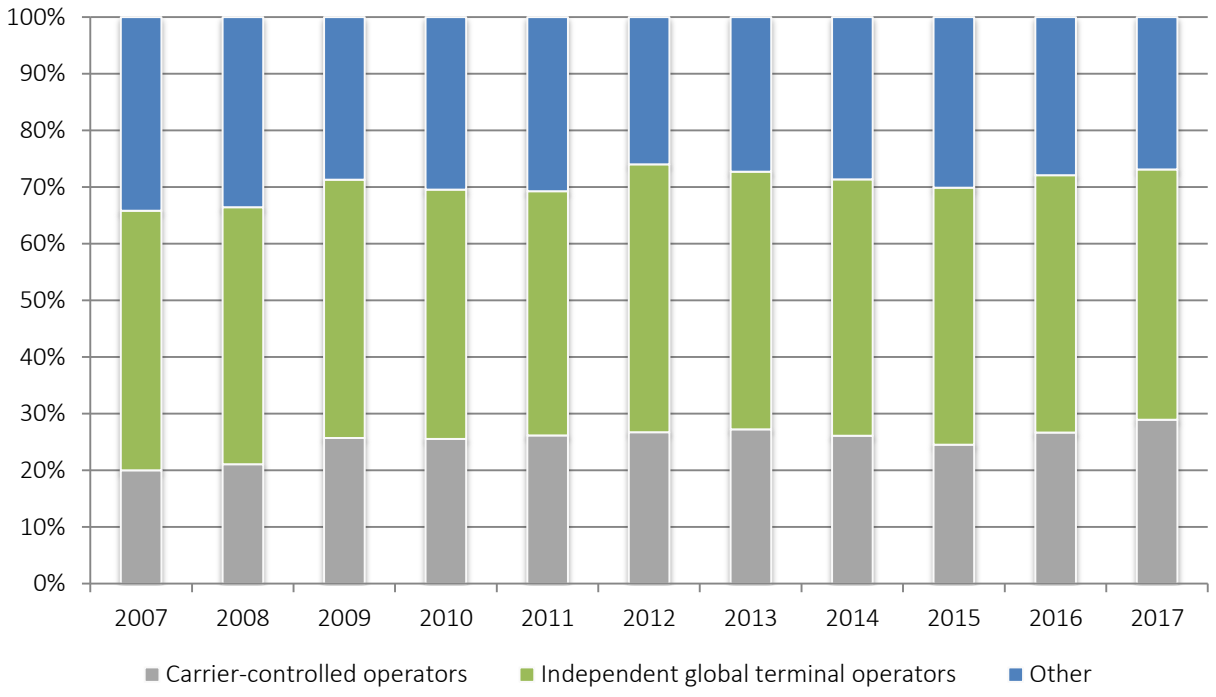
The decline of tonnage providers creates barriers to entry into liner shipping. A lower amount of tonnage offered by tonnage providers limits the possibilities for new entrants. This is particularly the case for the Far East-Europe trades where the largest ships are deployed and market shares of global alliances are highest. The share of chartered ships with capacity larger than 18 000 TEU is 35%, whereas the share for all container ships is on average around 54%. This share is 26% for 18 000+ TEU ships in the order books (Alphaliner, 2019). This means that new entrants have far less possibilities to charter in ships on Far East-Europe trades; if they hope to enter these markets, they must buy their own mega-vessels.

Terminal operations

Container terminal operators can be classified in different ways. ITF (2018) distinguishes between carrier-controlled terminal operators, independent global terminal operators and a category of other terminal operators, e.g. public operators. Main carrier-controlled terminal operators are APM Terminals (part of Maersk Group), Cosco, MSC/TIL, Terminal Link (owned for 51% by CMA CGM). Main independent global terminal operators are Hutchison Port Holdings (HPH), PSA, Dubai Ports World (DP World). European independent global terminal operators include Eurogate and HHLA.

The share of carrier-controlled terminal operations in Europe has increased over the last decade, from 20% in 2007 to around 29% in 2017 (Figure 10). ITF (2018) observed a similar increase in carrier-controlled terminal operators at the global level.

Figure 10. Types of terminal operators in Europe (volume shares, 2007-2017)



Source: based on data from Drewry 2008-2017.

This increase of carrier-controlled terminal operations has been the result of simultaneous developments:

- organic growth of existing carrier-controlled terminals
- concessions for new terminals
- acquisition of stakes in existing terminals (Table 4)
- acquisition of terminal operators (including carriers with terminal subsidiaries) (Table 5).

Table 4. Acquisitions of terminal stakes in Europe, 2003-2016

Operator	Terminal	Acquired from	Share (%)	Year
Contship Italia, P&O NL	Cagliari International Container Terminals		Majority share	2003
Hutchison	ECT Rotterdam	RCPM	From 79 to 98	2003
APM Terminals	Medcenter Container Terminal Gioia Tauro	Contship Italia	From 10 to 33.3	2004
CMA CGM	Zeebrugge OCHZ Terminal	Hesse Noord-Natie	35	2005
CMA CGM	Antwerp Gateway		10	2005
Hutchison	Tercat Barcelona		70	2005
APM Terminals	NFTI Dunkirk		30	2006
NYK	Ceres Terminal Amsterdam	Ceres	From 50 to 100	2006
ZIM	Antwerp Gateway	APMT	20	2007
PSA	Great Yarmouth Port		60	2007
Hutchison	Euromax Rotterdam		51	2007
DP World	Tarragona Container Terminal		60	2008
Hutchison	Amsterdam Container Terminal	NYK	70	2008
NYK	ECT Delta Rotterdam	Hutchison	10	2008
Hutchison	Taranto	Evergreen	60	2009
Evergreen	Thamesport	Hutchison	20	2009
Terminal Link	NFTI Dunkirk	APMT	From 61 to 91	2010
SIPG	APM Zeebrugge	APMT	25	2010
APM Terminals	Aarhus Cargo Services			2011
Yildirim	Malta Freeport	CMA CGM	50	2011
MSC	ECT Delta Rotterdam		50	2011
DP World	Rotterdam World Gateway		30	2012
Otter Ports Holding	Tilbury Container Services	DP World	33	2012
TIL/MSC	Medcenter Container Terminal Gioia Tauro		33	2012
China Shipping	APM Zeebrugge	APMT	24	2013
Zuid Natie	Breakbulk unit Antwerp	DP World		2013
Perrigault	Terminal Porte Oceane Le Havre		50	2014
Mitsubishi	TCV Valencia		25	2014
IBK, Korea Investment	Algeciras		70	2014
APM Terminals	Vado Reefer Terminal			2016
Cosco	Euromax Rotterdam	Hutchison	35	2016
Cosco	Piraeus		51	2016
Contship	Medcenter Container Terminal Gioia Tauro	APM Terminals	33.3	2016
APM Terminals	APM Terminals Aarhus	Aarhus Service Holding	40	2016
Marinvest (MSC)	Conateco Naples	Cosco	50	2017
Cosco	Savona-Vado	APM Terminals	40	2017
HMM	Algeciras	IBK, Korea Investment	100	2017

Source: based on Drewry 2002-2017.

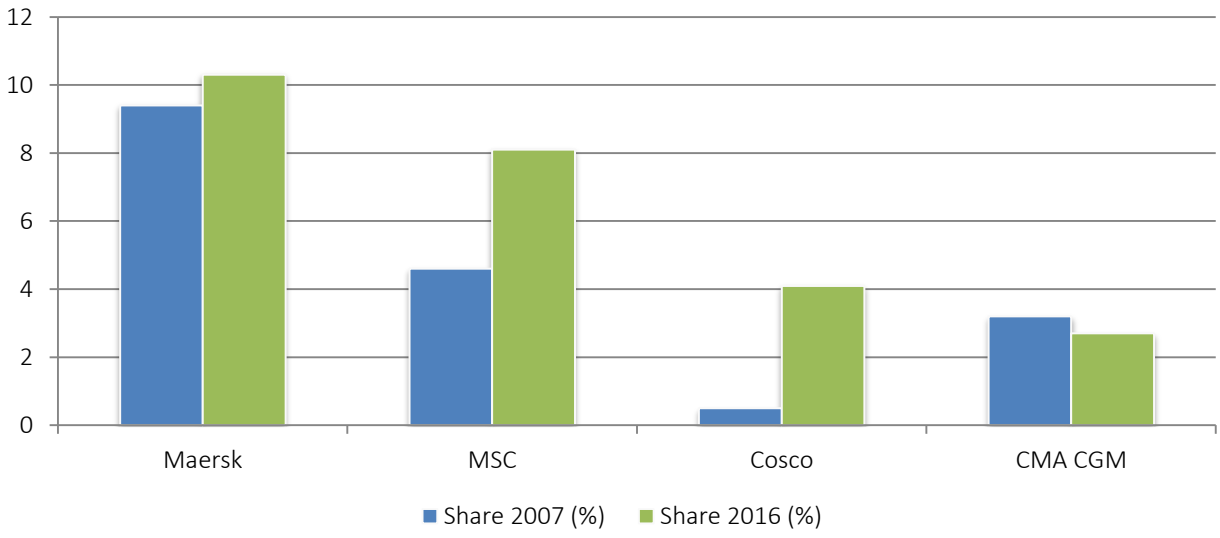
Table 5. Acquisitions of terminal operators in Europe, 2003-2016

Operator	Operator acquired	Ports affected	Year
P&O Ports, CMA CGM	Egis Ports	Le Havre, Marseille	2003
PSA	Hesse Noord Natie	Antwerp, Zeebrugge	2002-2003
Hutchison	Hanno Terminals	Rotterdam	2004
DP World	CSX World Terminals		2005
PSA	Hutchison (20%)	Rotterdam, Felixstowe, Thamesport, Gdynia, Barcelona	2006
DP World	P&O Ports	Antwerp, Le Havre, Marseille, Southampton, Tilbury	2006
Noatum	Dragados	Bilbao, Las Palmas, Malaga, Valencia	2010
APM Terminals	GPI (37.5%)	Helsinki, Kotka	2013
China Merchants	Terminal Link (49%)	Antwerp, Zeebrugge, Dunkirk, Le Havre, Marseille, Nantes, Marsaxlokk	2013
Global Infrastructure Partners	TIL (35%)		2013
APM Terminals	Grup TCB	Barcelona, Castellon, Gijon, Valencia	2016
CMA CGM	APL	Rotterdam	2016
Cosco	China Shipping	Zeebrugge	2016
Yildirim	Tertir	Lisbon, Leixoes, Setubal, Huelva, Ferrol	2016
Cosco	Noatum	Valencia, Bilbao	2017

Source: based on Drewry 2002-2017.

The carriers that managed to increase their share in terminal operations in Europe most significantly were Cosco and MSC (Figure 11). APM Terminals, the terminal subsidiary of Maersk, managed to increase its market share, whereas CMA CGM lost market share, mainly because it sold 49% of its terminal subsidiary – Terminal Link – to China Merchants.

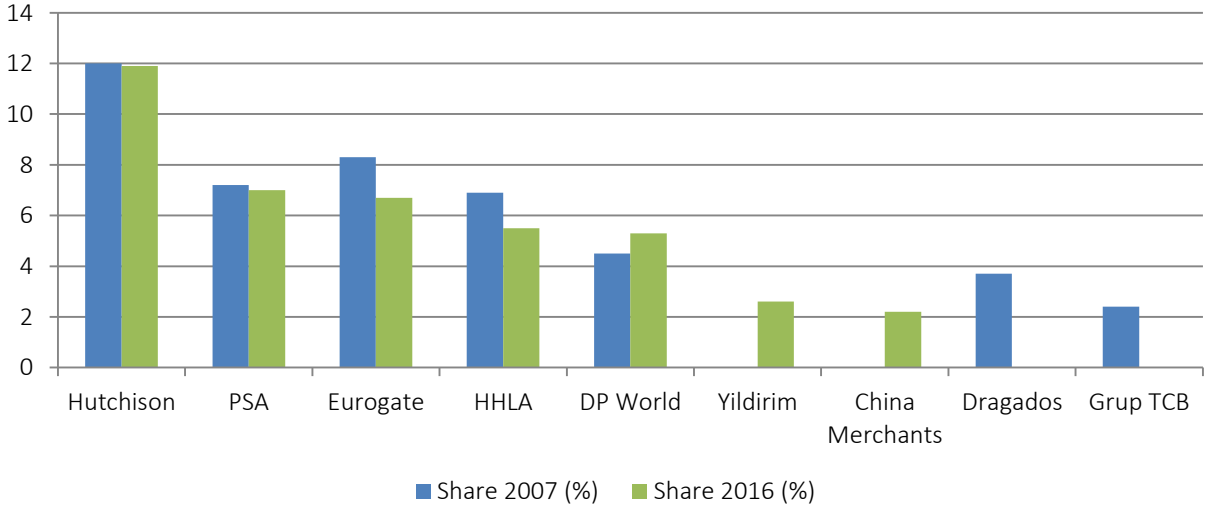
Figure 11. Market share (volume) of main carriers active in European terminal operations, 2007-2016



Source: based on data from Drewry.

The independent terminal operators that managed to increase their share in terminal operations in Europe most significantly were China Merchants and Yildirim (Figure 12). Independent terminal operators that disappeared were Dragados and Grup TCB, two large terminal operators from Spain. Dragados was acquired by a financial consortium led by J.P. Morgan, re-named Noatum, the majority of which was sold to Cosco in 2017. Grup TCB was acquired by APM Terminals in 2016.

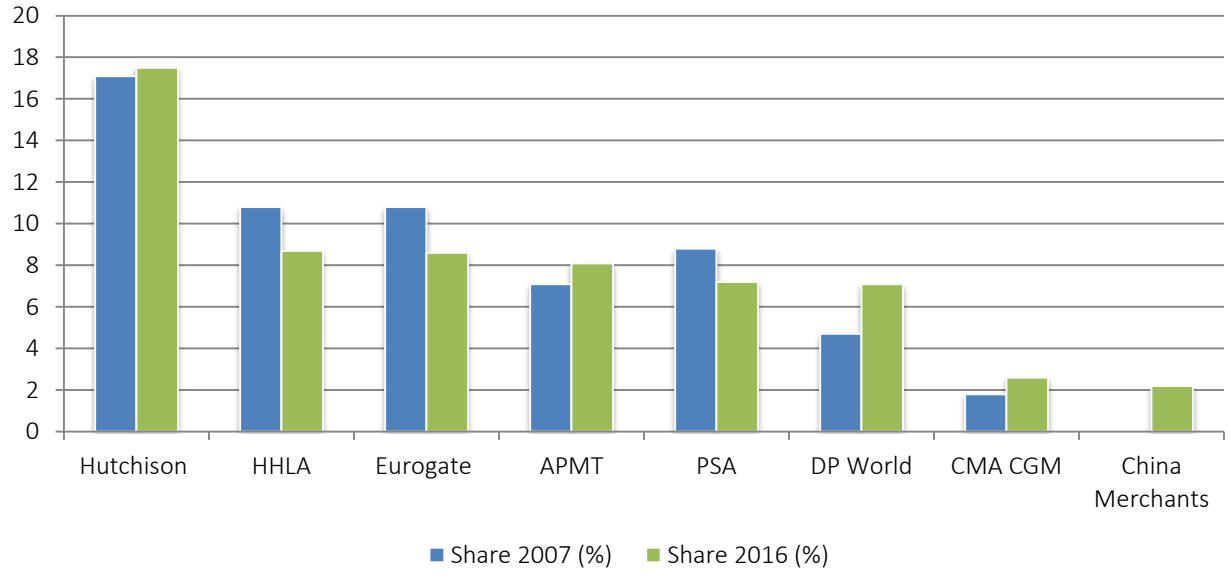
Figure 12. Independent terminal operators' market share (volume) in European operations, 2007-2016



Source: based on data from Drewry.

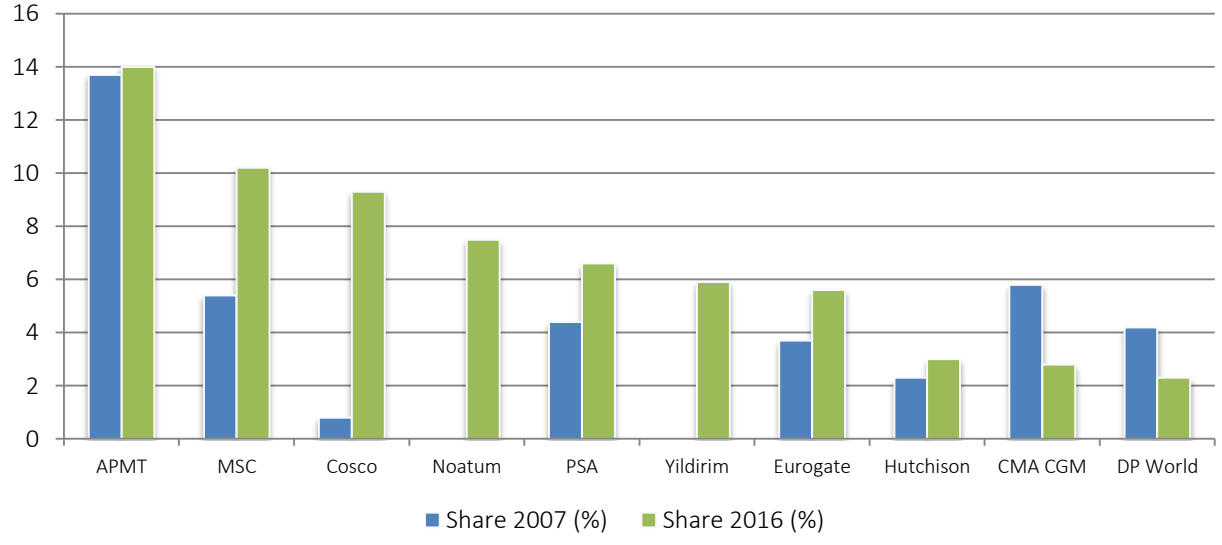
The market shares of the largest terminal operators in Northern Europe and Southern Europe reach 17% and 14% respectively. Main operators that have managed to increase market share in Northern Europe include APM Terminals, Dubai Ports World, CMA CGM and China Merchants (Figure 13). The swings in market shares have been much more pronounced in Southern Europe, determined by acquisitions of players like MSC, Cosco and Yildirim and the demise of independent terminals like Dragados and Grup TCB (Figure 14).

Figure 13. Market shares (volume) in Northern European terminal operations, 2007-2016



Source: based on data from Drewry.

Figure 14. Market shares (volume) in Southern European terminal operations in 2016

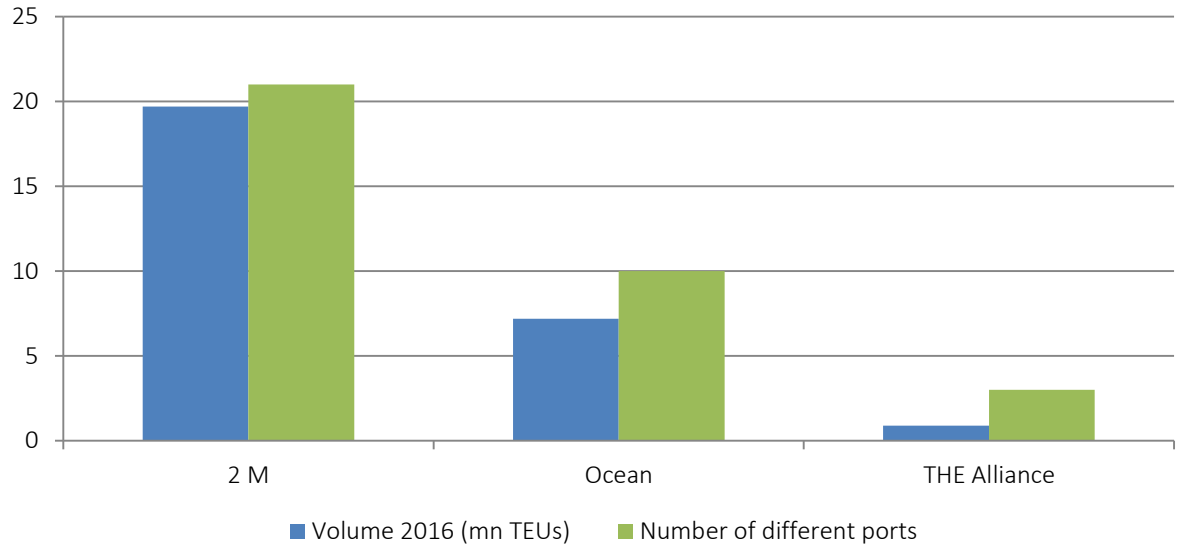


Source: based on terminal data from Drewry.

Of the three container shipping alliances, 2M is the alliance that has the most container terminals under direct control in Europe, representing a volume of almost 20 mln TEU in 2016, spread out over 21 different ports (Figure 15). The terminals that it controls are mainly located in West Med and North-West Europe. They represent a mix of terminals in competing ports (Maersk in Rotterdam, MSC in Antwerp, Maersk in Algeciras, MSC in Gioia Tauro) and terminals located in the same port (e.g. Maersk and MSC both have terminals in Valencia and Bremerhaven). Ocean Alliance controls fewer terminals in Europe (ten) and most of the volumes are concentrated in East Mediterranean (East Med) (Cosco in Piraeus, CMA CGM in Malta). THE Alliance has only limited terminal control in Europe, the most important being the 25% share of Hapag Lloyd in HHLA's Altenwerder Terminal in Hamburg.

Although the alliances generally call all the largest European ports, there are a few differences between alliances that could be explained by the portfolio of terminals that they control. For example: 2M controls terminals in Algeciras, Bremerhaven, Gioia Tauro, Sines, Gothenburg and Aarhus, and it directs 2M calls to these ports that are not used or used to a much lesser extent by the other alliances. For Ocean Alliance, this is the case for Marsaxlokk, Zeebrugge and Dunkirk (Table 6).

Figure 15. Alliances and their terminal operations in Europe in 2016



Source: based on data from Drewry.

Table 6. Alliances and their terminal operations in Europe

	Port	Terminal volume (TEU)	Far East-Europe			Europe-North America		
			2M	Ocean	THE	2M	Ocean	THE
2M Alliance								
Maersk	Algeciras	3.7	✓	✓	.	✓	.	✓
	Rotterdam	2.6	✓	✓	✓	✓	✓	✓
	Bremerhaven	1.6	✓	.	.	✓	✓	✓
	Valencia	0.8	✓	✓	✓	✓	✓	✓
	Barcelona	0.7	✓	✓	✓	✓	✓	✓
	Gothenburg	0.7	✓	.	.	.	.	.
	Aarhus	0.4	✓	.	.	.	.	.
	Marseille	0.2	✓	✓	✓	.	✓	✓
	Castellon	0.1	.	.	.	.	.	.
	Wilhelmshaven	0.1	✓	✓	.	.	.	.
	Gijon	0.0	.	.	.	.	.	.
MSC	Antwerp	2.9	✓	✓	✓	✓	✓	✓
	Valencia	1.2	✓	✓	✓	✓	✓	✓
	Gioia Tauro	0.9	✓	.	.	✓	.	.
	Bremerhaven	0.8	✓	.	.	✓	✓	✓
	Sines	0.8	✓	.	.	✓	.	.
	Le Havre	0.4	✓	✓	✓	✓	✓	✓
	La Spezia	0.4	✓	✓	✓	✓	.	✓
	Rotterdam	0.4	✓	✓	✓	✓	✓	✓
	Las Palmas	0.3	.	.	.	.	.	.
	Marseille	0.2	✓	✓	✓	.	✓	✓
	Klaipeda	0.2	.	.	.	.	.	.
	Livorno	0.1	.	.	.	✓	✓	✓
	Venice	0.1	.	✓	.	.	.	.
	Naples	0.1	.	.	.	✓	.	.
Ocean								
CMA CGM	Antwerp	1.0	✓	✓	✓	✓	✓	✓
	Marsaxlokk	0.8	✓	✓	.	.	✓	.
	Marseille	0.4	✓	✓	✓	.	✓	✓
	Le Havre	0.3	✓	✓	✓	✓	✓	✓
	Rotterdam	0.2	✓	✓	✓	✓	✓	✓
	Dunkirk	0.2	.	✓	.	.	✓	.
	Nantes	0.0	.	.	.	.	.	.
Cosco	Piraeus	3.6	✓	✓	✓	.	.	.
	Valencia	1.1	✓	✓	✓	✓	✓	✓
	Antwerp	0.4	✓	✓	✓	✓	✓	✓
	Rotterdam	0.2	✓	✓	✓	✓	✓	✓
	Bilbao	0.2	.	.	.	.	.	.
	Zeebrugge	0.1	.	✓	.	.	.	.
Evergreen	Thamesport	0.0	.	.	.	.	.	.
THE Alliance								
Hapag Lloyd	Hamburg	0.6	✓	✓	✓	✓	.	✓
ONE	Rotterdam	0.1	✓	✓	✓	✓	✓	✓
	Antwerp	0.1	✓	✓	✓	✓	✓	✓
Yang Ming	Antwerp	0.1	✓	✓	✓	✓	✓	✓

Source: based on Drewry and Sea-Intelligence data.

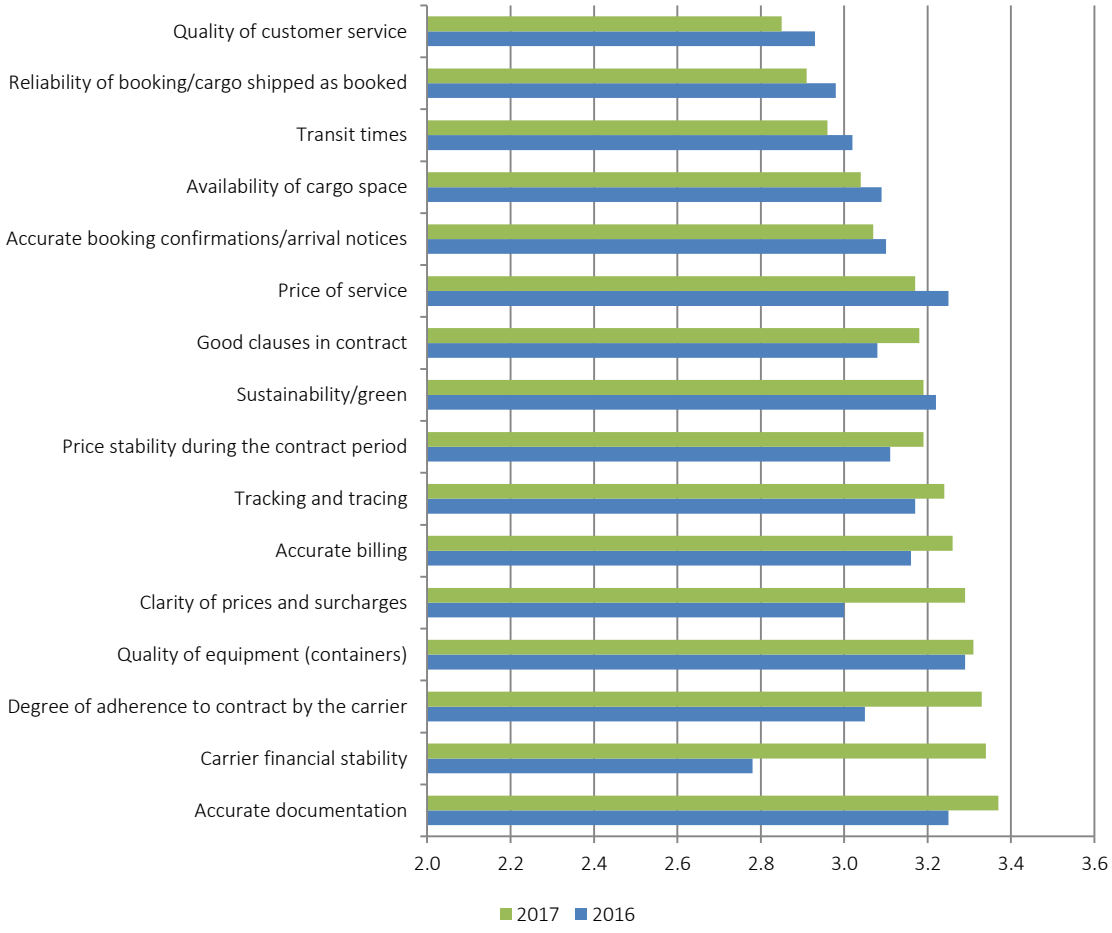
Note: Terminal volume refers to share controlled by the respective terminal operator (equity TEU), not the total volume of that terminal or port.

Customer satisfaction

Indications on customer satisfaction can be drawn from two studies carried out by the European Shippers Council (ESC) and Drewry in 2017 and 2018. These surveys are based on shippers' and forwarders' evaluations of the service quality of container shipping. The 2018 survey included 295 shippers and 58 forwarders. As 81% of this group was located in Europe, the responses predominantly reflected the situation in Europe.

The shippers in the survey were least satisfied with the quality of the customer service, reliability of bookings and transit times in 2017. Each of these items received a score of less than three on a scale of one to five, one being "very dissatisfied" and five being "very satisfied". These elements were also among the lowest-scored indicators in 2016, with carrier financial stability trailing behind as the least satisfactory indicator that year, only to improve considerably in 2017 (Figure 16).

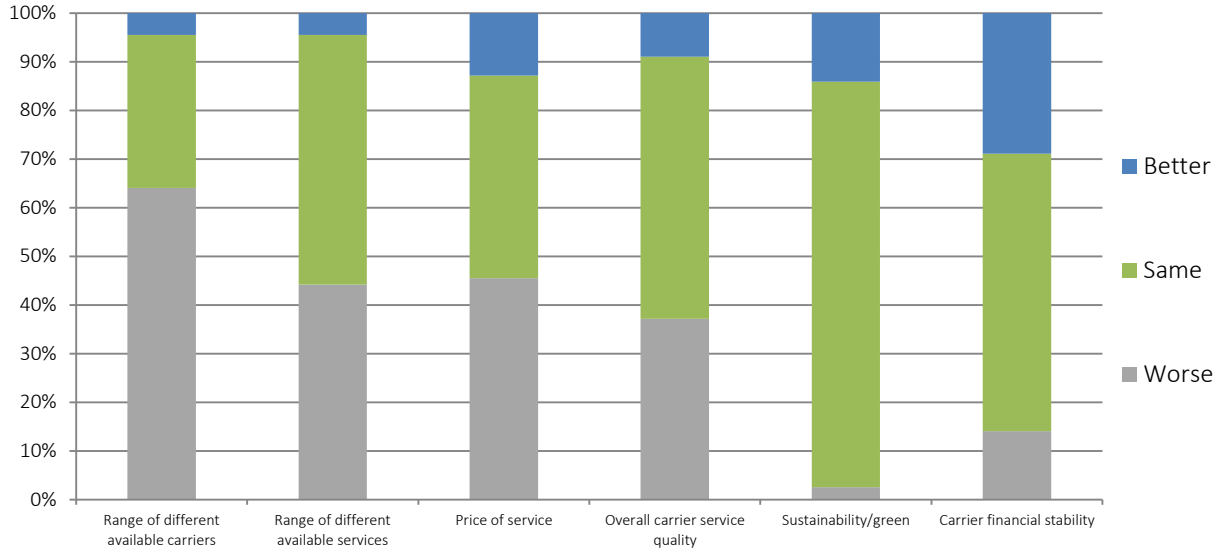
Figure 16. Shippers' perception of service quality of carriers in 2016 and 2017



Source: Drewry 2017, 2018.

When asked about the evolution of carrier performance, a large majority of shippers in the survey considered that the range of different available carriers was worse in 2017 than in 2016, and more than 40% considered that the range of different available services had gone down (Figure 17). However, it was not clear from the survey how they perceived these items on a one-to-five scale.

Figure 17. Assessment by shippers of performance of carrier industry in 2017 compared with 2016



Source: Drewry 2018.

Performance indicators

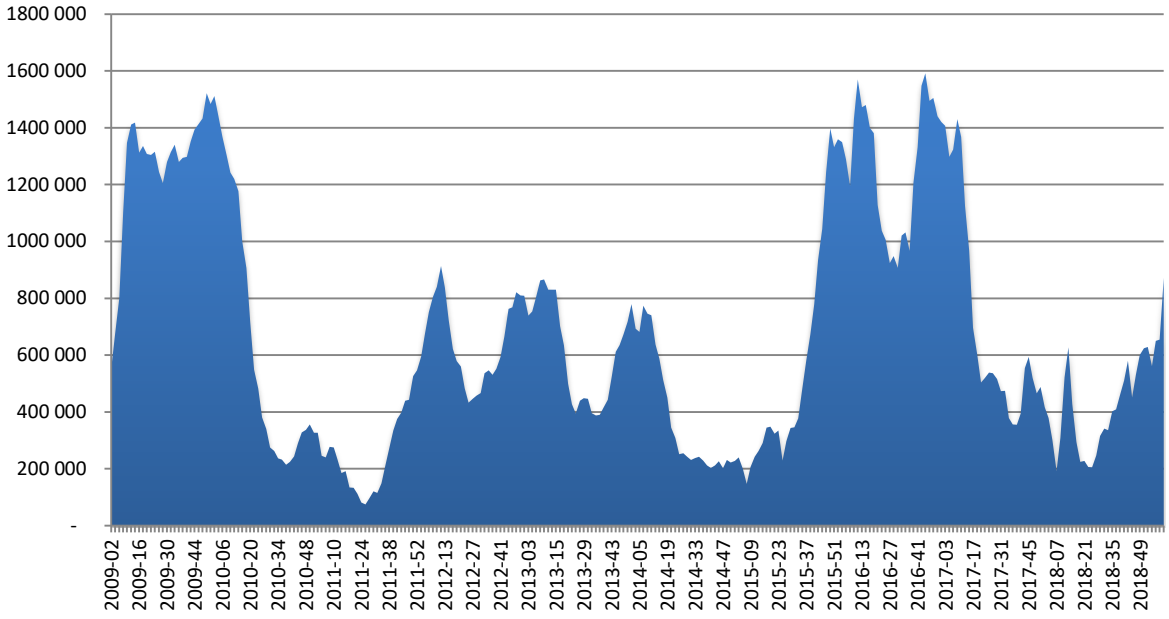
Indicators assessed here include direct liner connectivity, port-to-port connections, weekly service frequency, schedule reliability and blank sailings.

Fleet utilisation

One of the motivations of the EU Consortia Block Exemption is efficiency of liner operations. The idea is that consortia would help to better fill ships and, as such, improve fleet optimisation. This could be verified by assessing ship utilisation rates and the container ship capacity that is idled.

Ship utilisation rates have remained more or less stable over the last years. For the Far East-Europe trade (headhaul), the utilisation rate over 2012 to 2018 averaged around 85%, ranging from 75% to 100%, depending on the seasons, but with a flat trend. At the same time, there have been intense peaks in ship idling rates. These not only took place during the global crisis that started in 2008 and 2009, but also during other periods, in particular from mid-2015 to mid-2017, the period in which the current mega-alliances were formed. One is inclined to conclude, then, that consortia over the last years have not improved fleet utilisation but can be associated with high peaks of idle fleets (Figure 18).

Figure 18. Idle container ship fleet (in TEU capacity)



Source: based on data from Alphaliner.

Direct liner connectivity

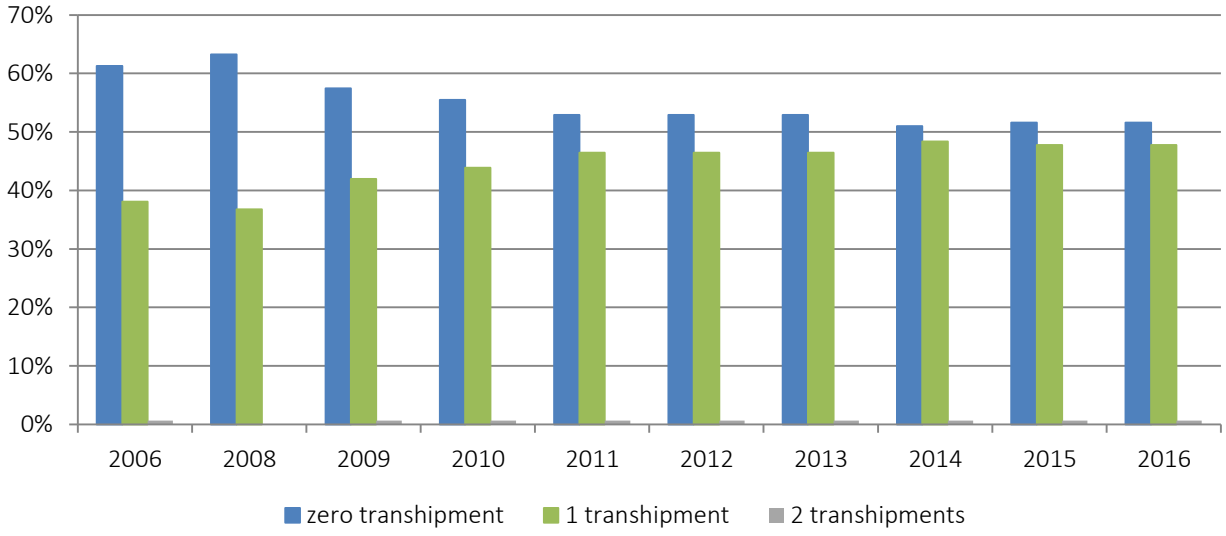
Direct liner connectivity is defined by the share of countries that can be reached without transhipment. This is an important indicator for shippers who prefer this direct liner connectivity because it minimises risks of cargo delays. The data used here form part of the UNCTAD Liner Shipping Connectivity Index that is calculated from data on the world's container ship deployment: the number of ships, their container

carrying capacity, the number of services and companies, and the size of the largest ship. As container ship size has increased spectacularly over the last years, the UNCTAD Liner Shipping Connectivity Index has grown for various countries, even if they did not necessarily have more direct connections or improved service frequency. For this reason, we isolate the direct liner connectivity indicator in our analysis.

In Europe, there are roughly two different groups of countries. The first consists of those countries where exporters can generally ship without transhipment to more than 50% of the countries, such as Germany, France, the United Kingdom, Spain, Italy, the Netherlands and Belgium. The second group consists of countries where exporters have to deal with one or more transhipments for more than 50% of the country destinations, as is the case for the other EU countries, generally located more in the periphery of Europe.

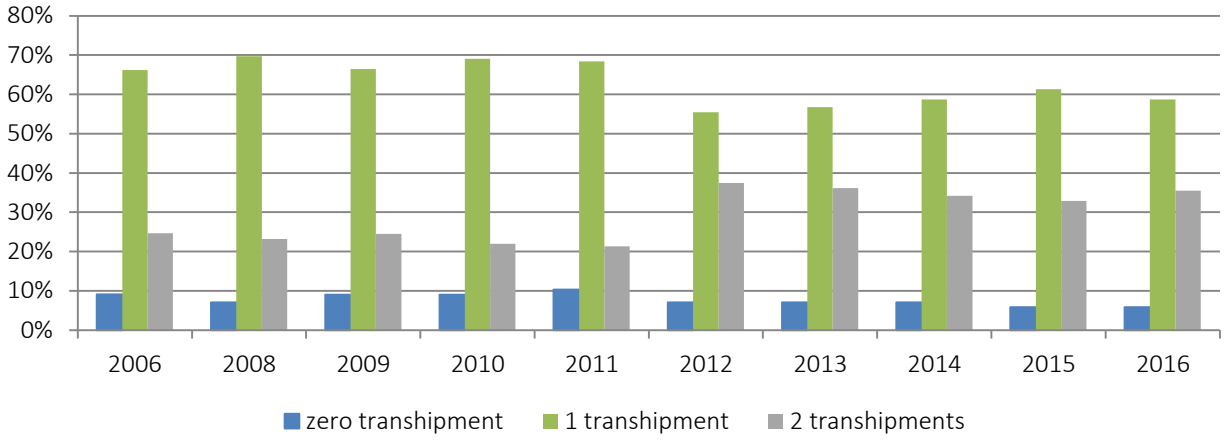
Over the last decade, almost all EU countries have faced a decline in direct liner connectivity. An example from the first group is Germany, where the share of countries that can be reached with zero transhipment declined from 61% in 2006 to 52% in 2016 (Figure 19). An example from the second group of European countries is Slovenia, where direct connectivity went down in relation to the increase of the share of countries that can only be reached with two transhipments, from 25% in 2006 to 35% in 2016 (Figure 20). These examples reflect a wider trend of decreasing direct connectivity, as illustrated by the figures for different EU countries in Annex 2. Other countries where direct liner connectivity has notably deteriorated include Belgium, Spain, France, the UK, Greece, Denmark, Latvia and Bulgaria. The only exceptions to this trend over the 2006 to 2016 period were Ireland, Poland and Malta.

Figure 19. Share of countries that can be reached by German exporters with zero transhipment, 2006-2016



Source: based on data from UNCTAD.

Figure 20. Country share that can be reached by Slovenian exporters with zero transhipment, 2006-2016

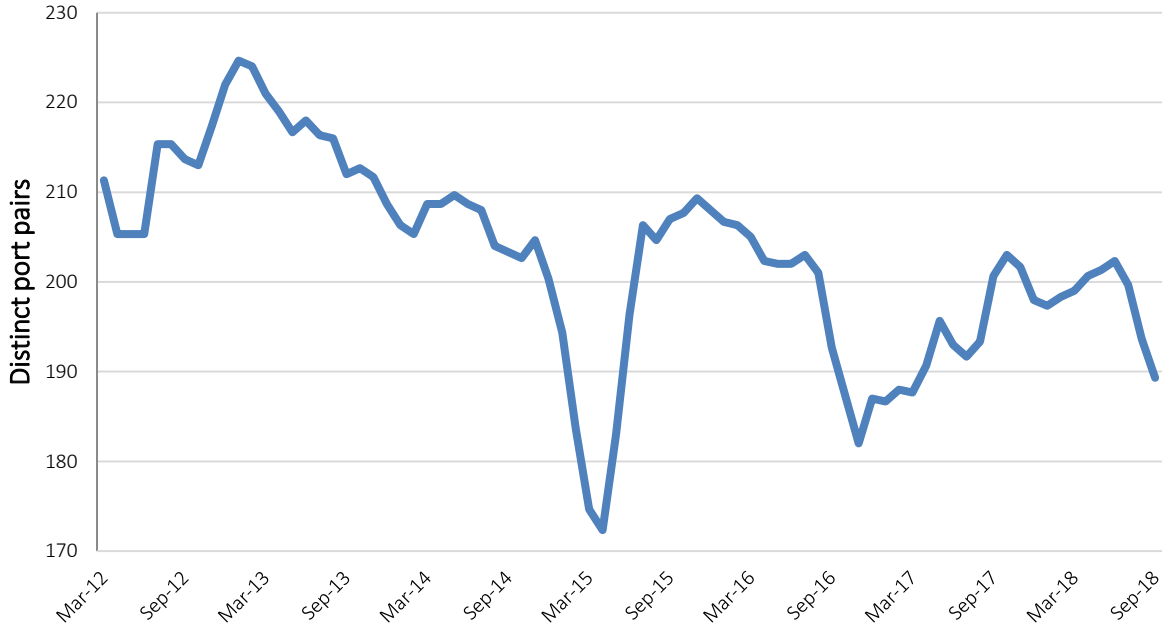


Source: based on data from UNCTAD.

Port-to-port connections

The number of direct port-to-port connections on European trade lanes has declined since 2012. This can be deducted from numbers of distinct (unique) port pairs.[10] Distinct port pairs dropped from 211 in March 2012 to 189 in September 2018 on the Asia-North Europe trade lane and from 333 in March 2012 to 294 in September 2018 on the Asia-Med trade lane. The number of distinct port pairs has been highly volatile, as illustrated by figures 21 and 22, but the long-term trend shows a decline.

Figure 21. Distinct port pairs on Asia-North Europe services, 2012-2018



Source: Sea Intelligence.

Figure 22. Distinct port pairs on Asia-Med services, 2012-2018

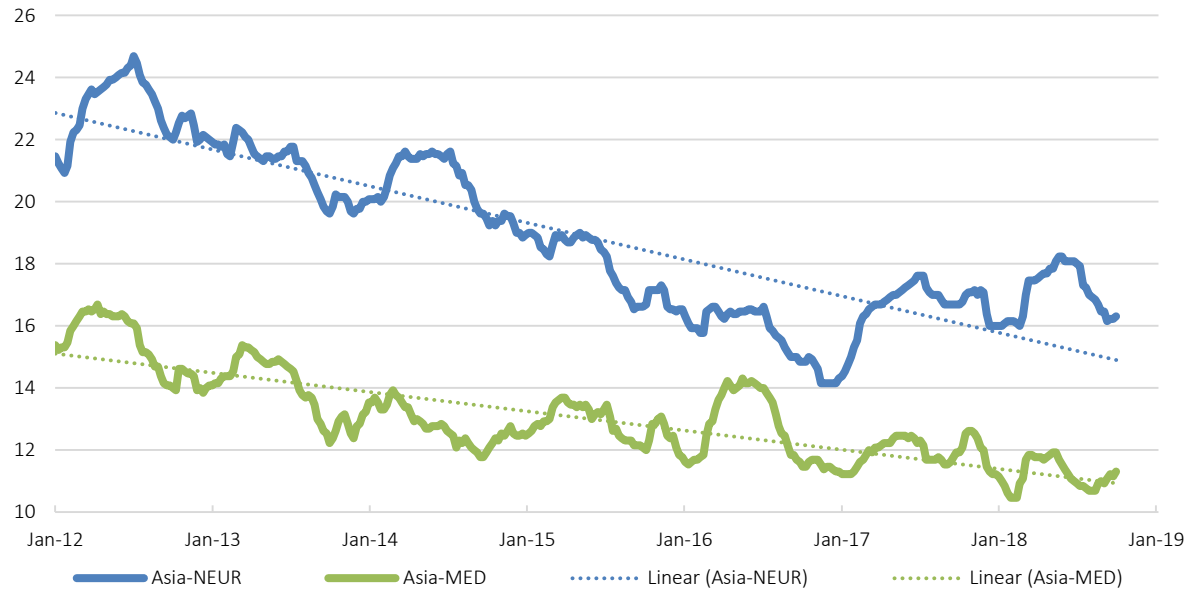
Source: Sea Intelligence.

More than half of the distinct port pairs on trade routes with Europe were offered only by one alliance in September 2018: 58% on the Asia-North Europe trade route and 51% on Asia-Med. This means that more than half of the direct port pairs will not meet any competition from carriers outside the alliance. This share is lower on North American trade routes: 43% for Asia-North America West Coast and 47% for Asia-North America East Coast (Sea Intelligence, 2018).

Weekly service frequency

Weekly service frequency has been declining since 2012 on three of the four main European trade lanes: Asia-North Europe, Asia-Med and North Europe-North America East Coast. The only exception to this trend is Med-North America East Coast. The largest decline took place on Asia-North Europe, falling from 24 weekly services in July 2012 to 16 services in December 2018 (Figure 23). The most moderate decline was on the North European Transatlantic trades, with service frequency dropping from 15 to 13 over the same period (Figure 24). The figures also show that weekly service frequency is never stable throughout the year, with many swings in network configurations and frequencies.

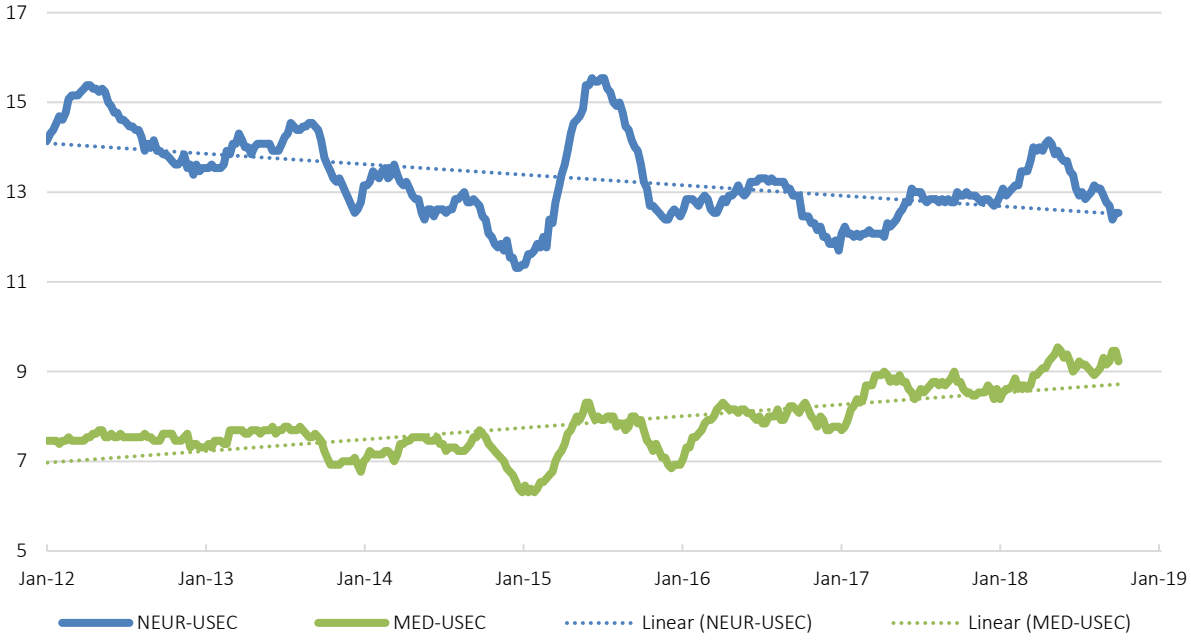
Figure 23. Weekly service frequency on Asia-Europe trade lanes, 2012-2018



Note: Number of weekly services for a 13-week running average.

Source: Sea Intelligence

Figure 24. Weekly service frequency on Transatlantic trade lanes, 2012-2018



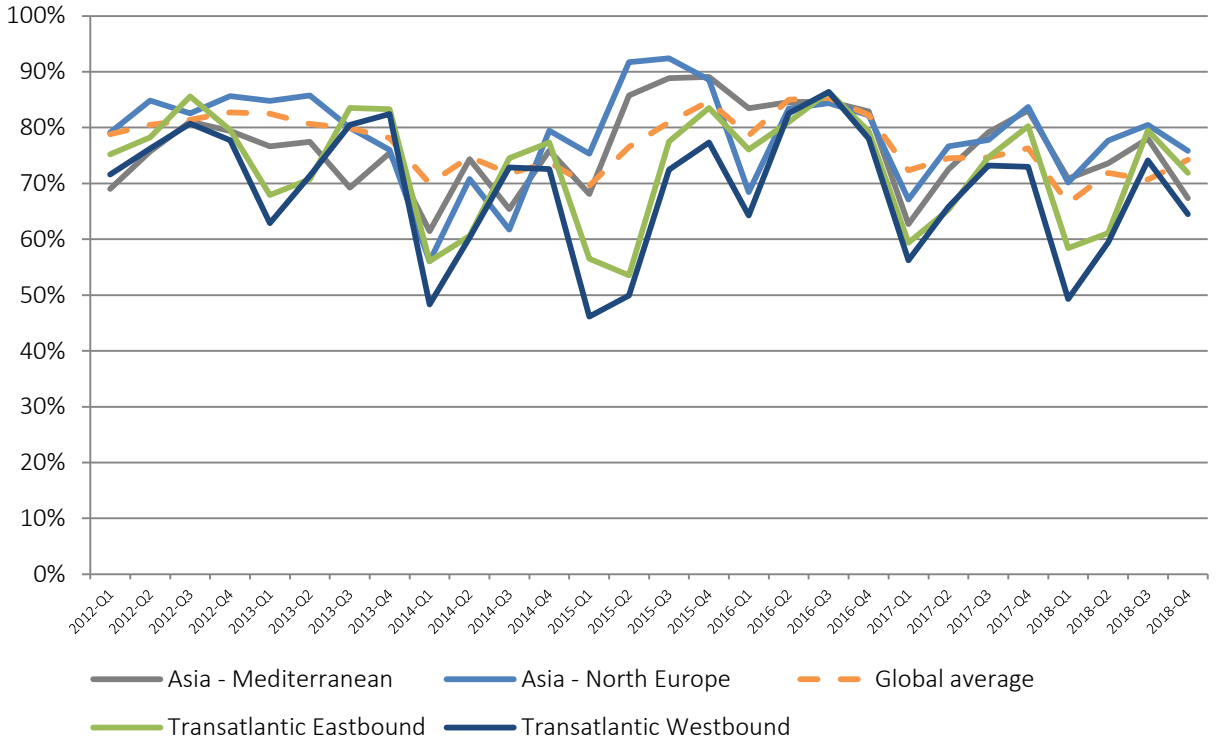
Note: Number of weekly services for a 13-week running average.

Source: Sea Intelligence.

Schedule reliability

Schedule reliability of global carriers on European trade lanes ranged on average between 65% and 75% in the fourth quarter of 2018 on the four main European trade lanes. This means that 65% to 75% of the vessels arrived within plus or minus one calendar day of the official schedule. The averages on the trade lanes are based on all carriers operating in these trade lanes. Schedule reliability on these trade lanes has fluctuated between 46% and 92% over the 2012 to 2018 period (Figure 25). There is no clear discernible trend with regards to schedule reliability over these years, but reliability does not seem to improve structurally over time. Except for brief spells in 2013 and 2014, reliability has generally been slightly higher on Asia-Europe than Transatlantic trade lanes.

Figure 25. Schedule reliability on European trade lanes, 2012-2018

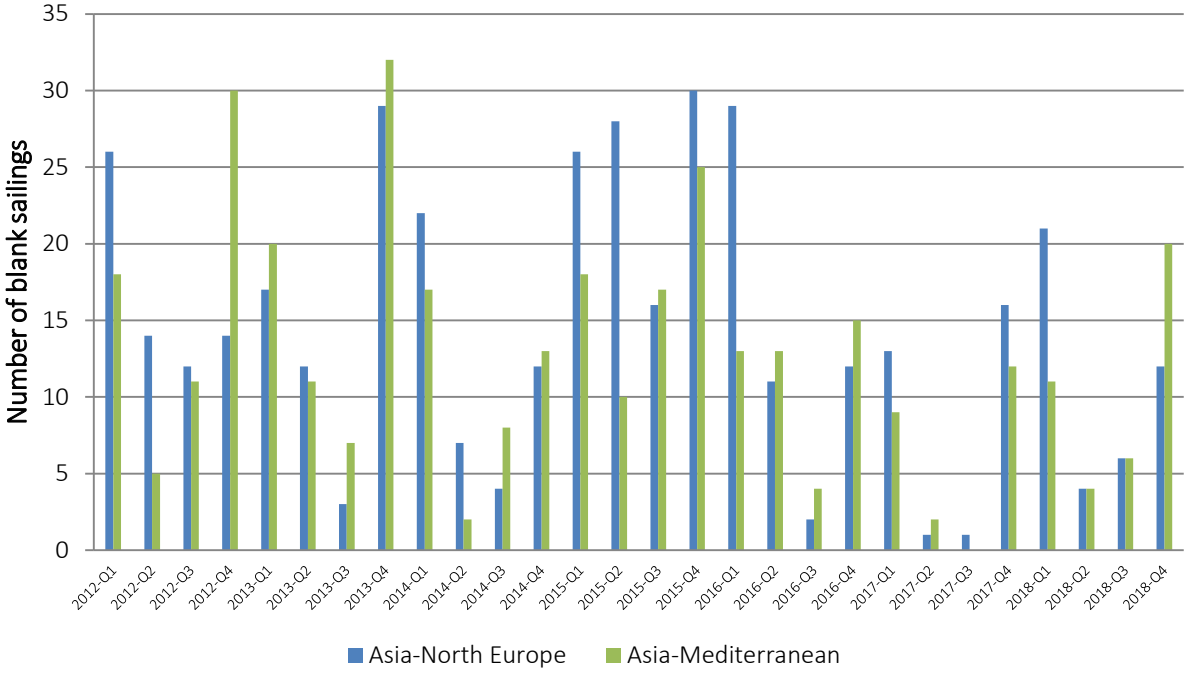


Source: Sea Intelligence.

Blank sailings

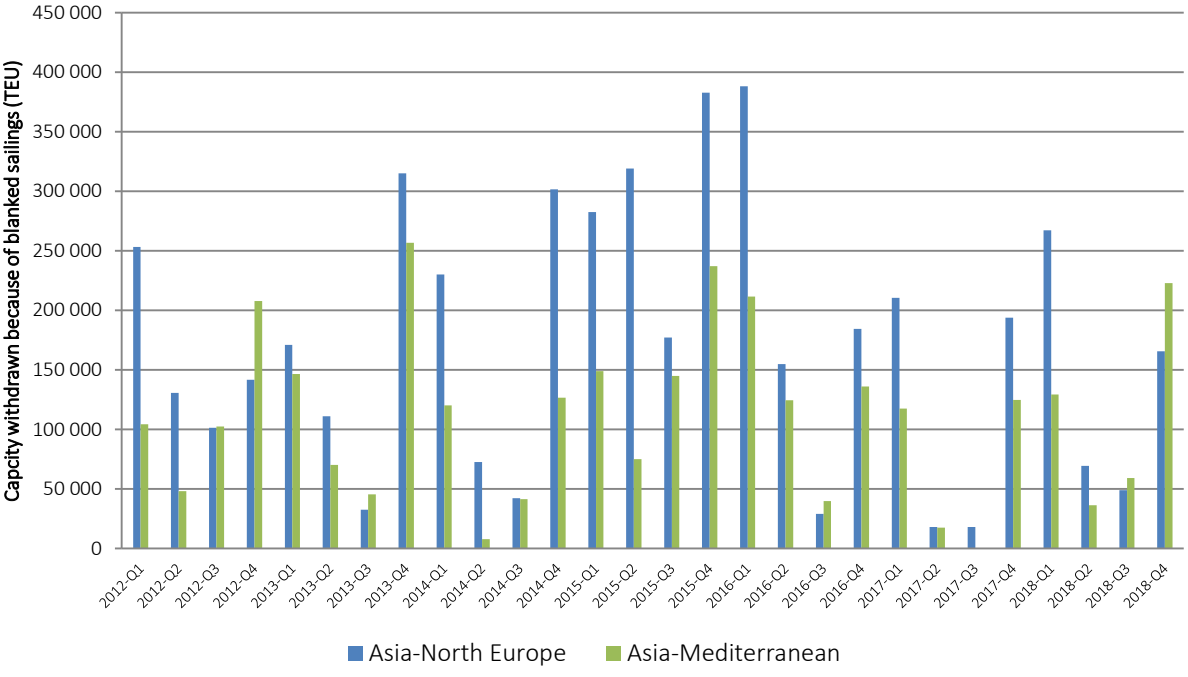
Blank sailings are cancellations of a scheduled weekly service. They tend to be concentrated in the first and fourth quarters of a year (Figure 26). In 2018, there were approximately 85 blank sailings on the Asia-Europe trade lanes, split more or less equally between Asia-North Europe and Asia-Med. In 2017, there were only 56 blank sailings on Asia-Europe. The years with the most blank sailings on that trade lane were 2015 with 170, 2013 with 131 and 2012 with 130. Considering the rapid increase of container ship size on Asia-Europe routes, the capacity withdrawn per blank sailing has risen over the last years. Although the number of blank sailings in 2018 was considerably less than in 2012, the total capacity withdrawn due to blank sailings was more or less comparable: 1.0 million TEU in 2018 and 1.1 million TEU in 2012 (Figure 27). Figures 28 and 29 cover Transatlantic trades.

Figure 26. Number of blanked sailings on Asia-Europe trade lanes, 2012-2018



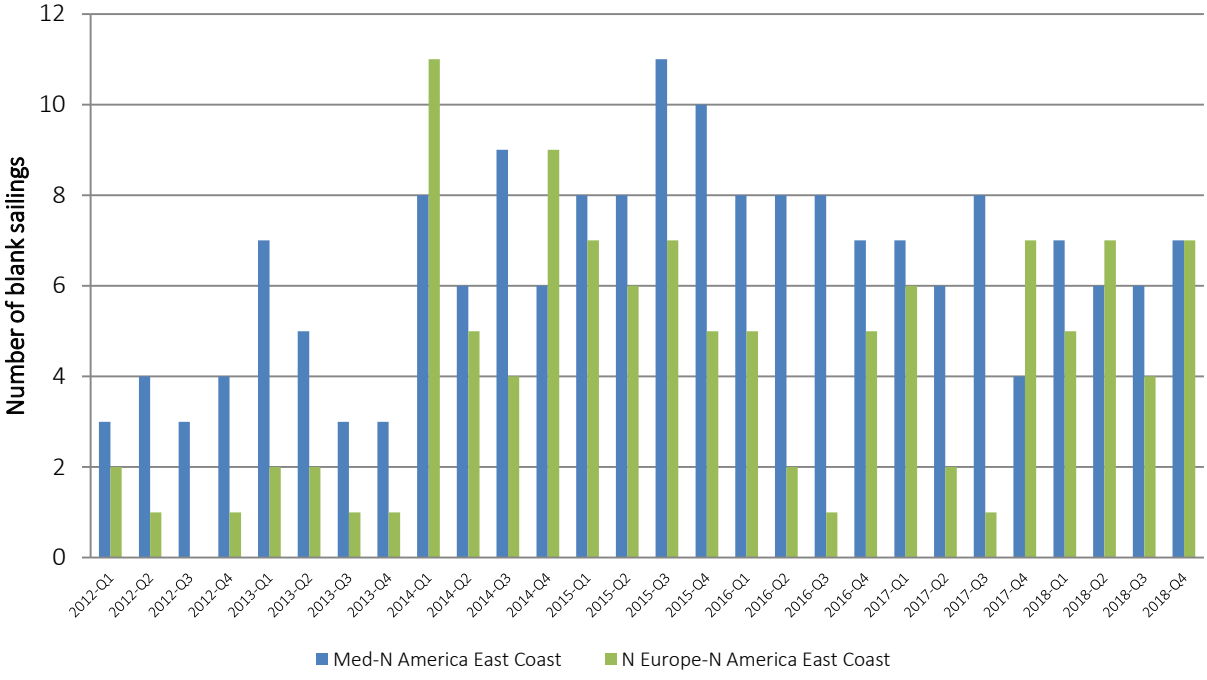
Source: based on data from Sea Intelligence.

Figure 27. Capacity withdrawn because of blanked sailings on Asia-Europe trade lanes, 2012-2018



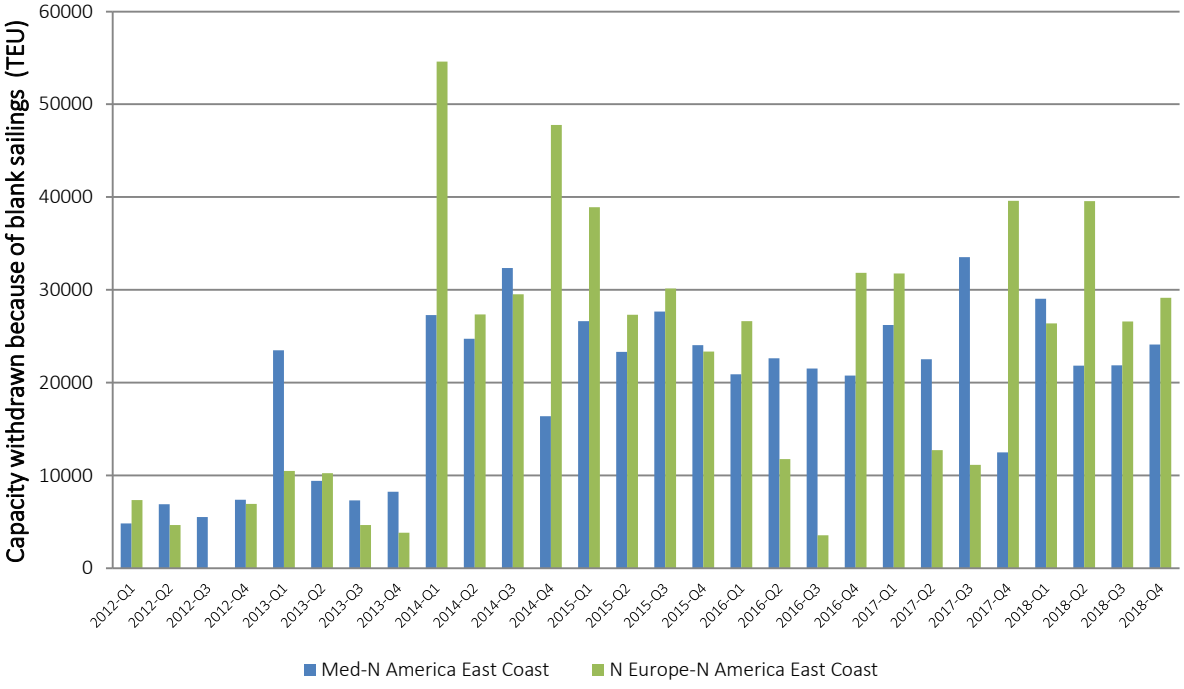
Source: based on data from Sea Intelligence.

Figure 28. Number of blanked sailings on Transatlantic trade lanes, 2012-2018



Source: based on data from Sea Intelligence.

Figure 29. Capacity withdrawn because of blanked sailings on Transatlantic trade lanes, 2012-2018



Source: based on data from Sea Intelligence.

Conclusion

The data presented in this paper confirm that container shipping has become more concentrated and vertically integrated, and has slipped on various performance indicators related to trade lanes to and from Europe.

Market concentration

Global alliances have become increasingly dominant:

- Until 2015, all alliances taken together had market shares below 50% on the main East-West routes involving Europe. In 2018, this share was above 95% for Asia-Europe services and above 70% for North America-North Europe.

- On various routes, individual alliances now represent more than 30% of capacity share. For example, the 2M Alliance had a market share of 39% on Asia-Med and 35% on Asia-North Europe in the fourth quarter of 2018.

Most liner consortia are likely no longer covered by the EU Consortia Block Exemption Regulation (BER):

- The BER contains a market share threshold of 30%. Consortia with market shares above this threshold are no longer covered by the BER.

- Of the 27 consortia ITF identified on trade lanes to and from Europe, only four fall with certainty below the 30% market share. Of the 27 consortia, 22 most likely exceed the threshold.

- This cannot be established with absolute certainty, as the market threshold is defined in volume shares – whereas only capacity shares are publicly available. One could wonder, then, to what extent the threshold in the BER contributes to legal certainty for carriers and transport stakeholders.

Vertical integration

The market shares of independent feeder operators have declined:

- In 2018, there was only one independent feeder operator in the top five for intra-North Europe shipping. In 2006, the first three feeder operators on this market were independent operators.
- The market share dedicated feeder operators (exclusively working for and often part of one carrier) reaches around 50% in the Baltic Sea and West Med, and 78% in the Adriatic and Aegean seas.

The market shares of European tonnage providers have decreased:

- The share of container fleets provided by tonnage providers has decreased over the last decade, from 50% in January 2012 to 44% in January 2019.

- Asian tonnage providers have gained market shares at the expense of European tonnage providers. The share of tonnage provided by EU tonnage providers in January 2012 was 88%. In January 2019, it was 61%

Vertical integration between carriers and terminal operators in Europe has emerged:

- Share of carrier-controlled terminal operations has increased from 20% in 2007 to 29% in 2017.
- The terminal operators with the strongest growth rates over the 2007 to 2016 period were carrier-controlled terminal operators, in particular MSC and Cosco, and non-European terminal operators, such as Yildirim, China Merchants and Dubai Ports World.

Performance

Performance has been relatively stable with respect to:

- Schedule reliability: Schedule reliability of global carriers on European trade lanes ranged on average between 65% and 75% in the fourth quarter of 2018 on the four main European trade lanes. Schedule reliability on these trade lanes has fluctuated between 46% and 92% between 2012 and 2018, but there is no clear discernible trend with regards to schedule reliability over these years.
- Blank sailings: Blank sailings are cancellations of a scheduled weekly service. Although the number of blank sailings in 2018 on Asia-Europe routes was considerably less than in 2012, the total capacity withdrawn due to blank sailings was more or less comparable: 1.0 million TEU in 2018 and 1.1 million TEU in 2012.

Performance has been slipping with regards to:

- Fleet utilisation: ship utilisation rates have remained more or less stable over the last years, but there have been intense peaks in ship idling rates recently. These not only took place during the global crisis that started in 2008 and 2009, but also during other periods, in particular from mid-2015 to mid-2017, the period in which the current mega-alliances were formed. One is inclined to conclude, then, that consortia over the last years have not improved fleet utilisation but can be associated with high peaks of idle fleets.
- Direct liner connectivity: Over the last decade, all EU countries but three have faced a decline in direct liner connectivity (the share of countries that can be reached without transhipment).
- Unique port pairs: The number of direct port-to-port connections on European trade lanes has declined since 2012: from 211 in March 2012 to 189 in September 2018 on the Asia-North Europe trade lane and from 333 in March 2012 to 294 in September 2018 on the Asia-Med trade lane. More than half of the distinct port pairs on trade routes with Europe were offered only by one alliance in September 2018. This means that more than half of the direct port pairs will not meet any competition from carriers outside that one alliance.
- Weekly service frequency: This has been declining since 2012 on three of four main European trade lanes: Asia-North Europe, Asia-Med and North Europe-North America East Coast. The only exception to this trend is Med-North America East Coast. The largest decline took place on Asia-North Europe from 24 weekly services in July 2012 to 16 services in December 2018.

Notes

1 Art. 2 (1) EC (2009)

2 Confirmed by the WSC representative during the ITF Stakeholder Meeting on Container Shipping, 8 February 2019.

3 Recital 9 of EC (2009)

4 Art. 5 (1) of EC (2009)

5 Art. 5 (3) of EC (2009)

6 Art. 5 (4) of EC (2009)

7 This can, for example, be concluded from remarks from the Maersk Line COO Søren Toft in an interview with ShippingWatch ("Maersk Line denies conclusion: Our market share remains the same", ShippingWatch, 23/11/2018).

8 In some of the Commission's merger decisions, such as Maersk/P&ONL or the Hapag Lloyd merger, the geographic market is defined as "the trade" in the sense of the goods transported from the range of ports at each end of the shipping route, and back, such as North Europe to East Coast USA, and back. The narrowest geographic definition used in the merger decisions, and probably the most acceptable definition of the relevant market generally, including for alliances, would be the relevant "trade leg". This would be the leg in one direction on the North Europe to East Cast USA trade: for example, only from the North European range of ports to the East Coast USA range, the return voyage being a different leg. Alliances arguably will not be covered by the Consortia BER if they have more than 30% on any leg served by the Alliance lines.

9 In Europe, there are a few hinterlands that could be considered "contestable hinterlands", for which ports from different regions compete. These contestable hinterlands include southern Germany, Switzerland, Austria and northwestern Italy. For many port regions, these contestable hinterlands represent only a marginal share of the total hinterland cargo of that port region. Even in what many observers consider a highly competitive port range – the Hamburg-Le Havre range – the actual competition between Hamburg and Le Havre is limited.

[10] If two carriers or alliances both offer a connection from port A to port B, this is only counted once, as the interest here is in distinct port pairs.

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Annex 1: Market shares of liner consortia

This analysis is based on capacity deployed per trade lane to and from Europe. It takes into account services provided by sole operators and consortia, consisting of two or more operators, and it also indicates slot charterers. Alliances and vessel sharing agreements are here considered as consortia. Single operators with slot charterers are listed in the tables below, but are not considered to be consortia. Services with exactly the same operators and/or slot charterers are taken together. Services of the same operator but without exactly the same slot charterers are presented separately. Trade lanes can be overlapping, as various services span different geographic markets. For example, some Asia-North Europe services also call ports in the Middle East, so these services are also included in the Europe-Middle East trade lane.

Based on the capacity shares on each trade lanes, a combined market share for each consortium is calculated, in line with article 5 of the EU Consortia Block Exemption Regulation. So the combined market share of a consortium takes into account all the market shares of the consortia members, either as sole operators or as members of other consortia. This is straightforward for the market shares that the consortium member has as sole operator, but less so for the other consortia in which it is member, as it is not known which part of the capacity of that consortium is deployed by the carrier. For this reason, the combined market shares are presented here as a range between the minimum and maximum possible combined market share. Based on these ranges, we have made the assessment in tables 2 and 3 of the report of which consortia are likely to exceed or fall below the 30% threshold.

Table 7. Market share Asia-North Europe, November 2018

Operator/consortia	Slot charterer	Average weekly capacity (TEU)	Market share (%)	Combined market share (%)
Ocean Alliance	-	97 641	37	37
2M	-	92 524	35	35
THE Alliance	-	66 883	26	26
HMM	-	4 728	2	

Source: based on WSC et al. (2018) and Sea Intelligence.

Table 8. Market share Asia-Med, November 2018

Operator/consortia	Slot charterer	Average weekly capacity (TEU)	Market share (%)	Combined market share (%)
Ocean Alliance	-	45 463	44	44
2M	-	40 178	38	38
THE Alliance	-	13 870	13	13
ZIM	-	4 992	5	

Source: based on WSC et al. (2018) and Sea Intelligence.

Table 9. Market share Europe-Middle East, November 2018

Operator/consortia	Slot charterer	Average weekly capacity (TEU)	Market share (%)	Combined market share (%)
2M	-	10 6828	31	45-51
Ocean Alliance	-	74 803	21	21-33
THE Alliance	-	43 786	13	13-26
Maersk	-	33 859	10	
MSC	-	16 916	5	
CMA CGM/Cosco/Hapag Lloyd	APL, DAL, MSC, ONE	16 565	5	9-48
MSC/SC India	-	11 998	3	8-37
CMA CGM/Hapag Lloyd/MSC	Cosco, APL	9 068	3	7-86
CMA CGM/Hapag Lloyd/ONE/OOCL	ANL, APL	8 090	2	2-48
CMA CGM/Hapag Lloyd	Cosco. DAL, OOCL	8 064	2	2-48
CMA CGM/Cosco/Hapag Lloyd	-	6 600	2	2-48
Linea Messina	-	6 002	2	
Hafez Darya Arya	-	2 540	1	

Source: based on WSC et al. (2018) and Sea Intelligence.

Table 10. Market share Europe-Indian Subcontinent, November 2018

Operator/consortia	Slot charterer	Average weekly capacity (TEU)	Market share (%)	Combined market share (%)
Ocean Alliance		28 117	17	20-46
2M		18 623	11	31-49
CMA CGM/Cosco/Hapag Lloyd	MSC, ONE	16 565	10	10-52
Maersk	Safmarine	13 692	8	
MSC/SC India		11 998	7	12-29
THE Alliance		10 477	6	6-22
Maersk	Safmarine, Hamburg Sud	9 966	6	
CMA CGM/MSC/Hapag Lloyd	APL, Cosco, ONE	9 068	6	6-81
MSC	ZIM	8 533	5	
MSC		8 383	5	
CMA CGM/Hapag Lloyd/ONE/OOCL	ANL, APL	8 090	5	5-52
CMA CGM/Hapag Lloyd	Cosco, OOCL	8 064	5	5-52
ZIM	HMM	4 873	3	5
CMA CGM/Cosco/APL		4 927	3	3-46
ZIM		2 783	2	5

Source: based on WSC et al. (2018) and Sea Intelligence.

Table 11. Market share Europe-Oceania, November 2018

Operator/consortia	Slot charterer	Average weekly capacity (TEU)	Market share (%)	Combined market share (%)
ANL/CMA CGM/Hapag Lloyd		6 731	50	50-64
CMA CGM/Marfret	ANL	1 890	14	14-64
MSC		4 800	36	36

Source: based on WSC et al. (2018) and Sea Intelligence.

Table 12. Market share North Europe-North America East Coast, November 2018

Operator/consortia	Slot charterer	Average weekly capacity (TEU)	Market share (%)	Combined market share (%)
Ocean Alliance		22 073	24	24-39
2M		20 132	22	32-40
THE Alliance		18 393	20	20-30
MSC		9 171	10	
Hapag Lloyd/MSC/OOCL		4 315	5	19-86
Hapag Lloyd/OOCL		4 312	5	5-54
ACL	Grimaldi, Hapag Lloyd, Wallenius Wilhelmsen	3 817	4	
CMA CGM/Maersk		2 890	3	3-52
ICL		2 546	3	
CMA CGM/Marfret	APL, ANL	2 441	3	3-30
ARRC		1 500	2	

Source: based on WSC et al. (2018) and Sea Intelligence.

Table 13. Market share Med-North America East Coast, November 2018

Operator/consortia	Slot charterer	Average weekly capacity (TEU)	Market share (%)	Combined market share (%)
2M		16 490	35	49
THE Alliance		8 770	18	18-38
Ocean Alliance		4 367	9	9
Hapag Lloyd	CMA CGM, ZIM	9 438	20	
MSC		4 870	10	
Turkon/NileDutch		1 849	4	
Maersk/Hamburg Sud		1 827	4	

Source: based on WSC et al. (2018) and Sea Intelligence.

Table 14. Market share North Europe-East Coast South America, November 2018

Operator/consortia	Slot charterer	Average weekly capacity (TEU)	Market share (%)	Combined market share (%)
Hapag Lloyd/MSC	Hamburg Sud, Maersk	17 834	61	61
Hamburg Sud	CMA CGM, Hapag Lloyd, Maersk, MSC, Safmarine	9 669	33	33
CMA CGM/Marfret		1 713	6	6

Source: based on WSC et al. (2018) and Sea Intelligence.

Table 15. Market share Med-East Coast South America, November 2018

Operator/consortia	Slot charterer	Average weekly capacity (TEU)	Market share (%)	Combined market share (%)
CMA CGM/Maersk	Hamburg Sud	19 261	64	64
MSC	Zim	10 802	36	36

Source: based on WSC et al. (2018) and Sea Intelligence.

Table 16. Market share North Europe-West Coast South America, November 2018

Operator/consortia	Slot charterer	Average weekly capacity (TEU)	Market share (%)	Combined market share (%)
MSC		10 785	46	46
CMA CGM/Hapag Lloyd	Cosco, Maersk, Hamburg Sud	10 088	43	43
Maersk	Hamburg Sud	2 477	11	11
Seatrade		227	1	1

Source: based on WSC et al. (2018) and Sea Intelligence.

Table 17. Market share Med-West Coast South America, November 2018

Operator/consortia	Slot charterer	Average weekly capacity (TEU)	Market share (%)	Combined market share (%)
CMA CGM/Hapag Lloyd		3 819	55	55
Maersk	Hamburg Sud	3 078	45	45

Source: based on WSC et al. (2018) and Sea Intelligence.

Table 18. Market share North Europe-West Africa, November 2018

Operator/consortia	Slot charterer	Average weekly capacity (TEU)	Market share (%)	Combined market share (%)
CMA CGM/NileDutch		4 156	24	24-45
Maersk		4 119	23	
CMA CGM	Cosco, NileDutch	3 816	22	
Grimaldi		2 781	16	
Hapag Lloyd	ONE	2 755	16	

Source: based on WSC et al. (2018) and Sea Intelligence.

Table 19. Market share Med-West Africa, November 2018

Operator/consortia	Slot charterer	Average weekly capacity (TEU)	Market share (%)	Combined market share (%)
Maersk		16 485	44	
MSC		9 165	24	
CMA CGM		7 386	19	
Arkas/CMA CGM/Hapag Lloyd	ONE	4 264	11	31
Grimaldi		700	2	

Source: based on WSC et al. (2018) and Sea Intelligence.

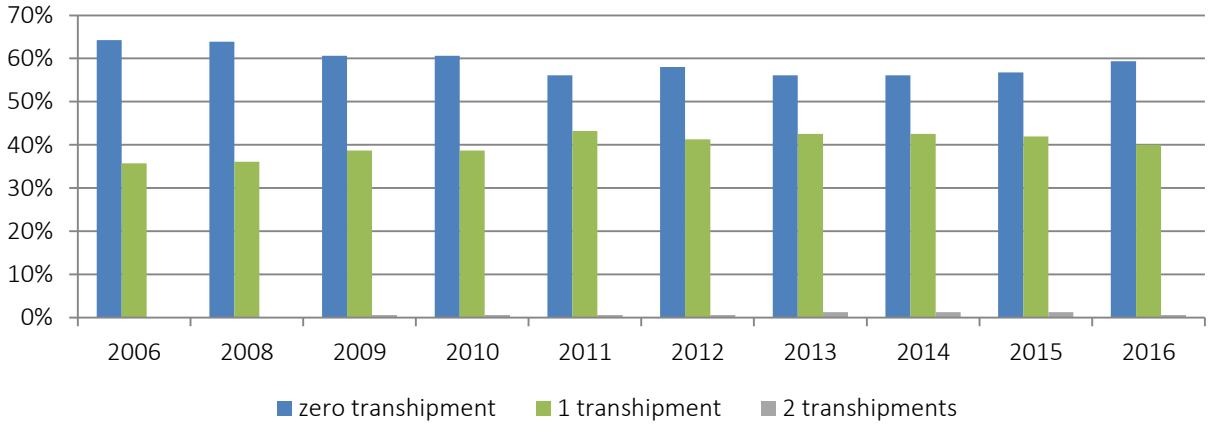
Table 20. Market share North Europe-Southern Africa, November 2018

Operator/consortia	Slot charterer	Average weekly capacity (TEU)	Market share (%)	Combined market share (%)
MSC	Hapag Lloyd	8 319	44	
Maersk/ONE/DAL/Safmarine		7 694	41	41
MSC		2 878	15	

Source: based on WSC et al. (2018) and Sea Intelligence.

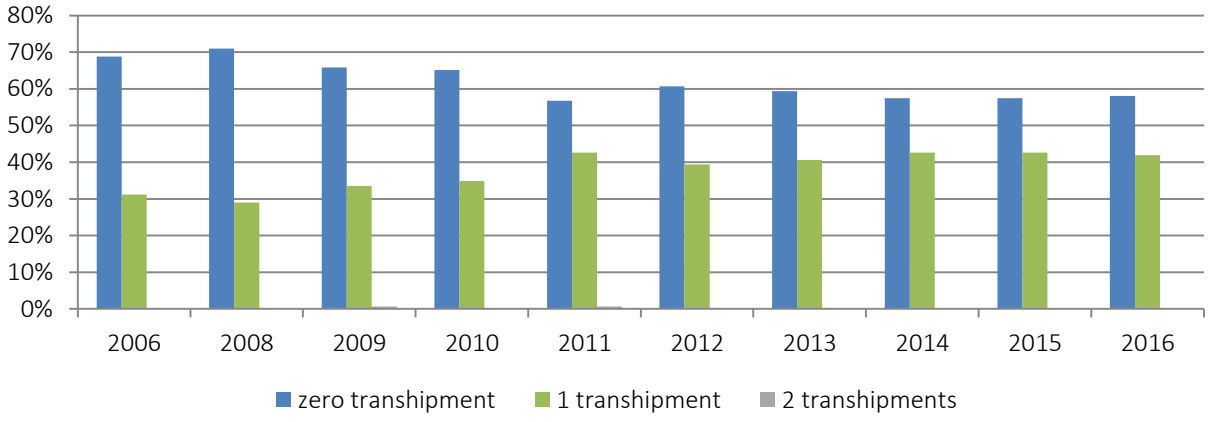
Annex 2: Direct liner connectivity in EU countries

Figure 30. Share of countries that can be reached by Belgian exporters with zero transhipment, 2006-2016



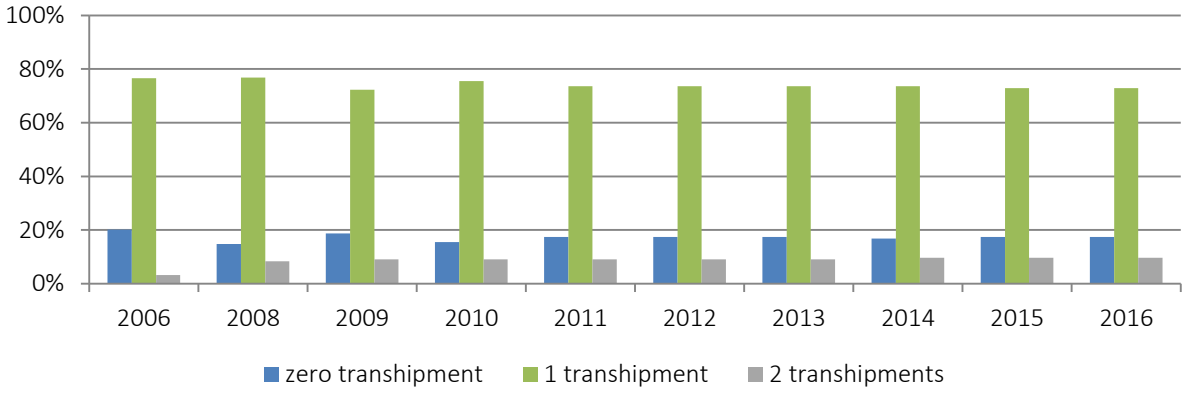
Source: based on data from UNCTAD.

Figure 31. Share of countries that can be reached by British exporters with zero transhipment, 2006-2016



Source: based on data from UNCTAD.

Figure 32. Share of countries that can be reached by Danish exporters with zero transhipment, 2006-2016

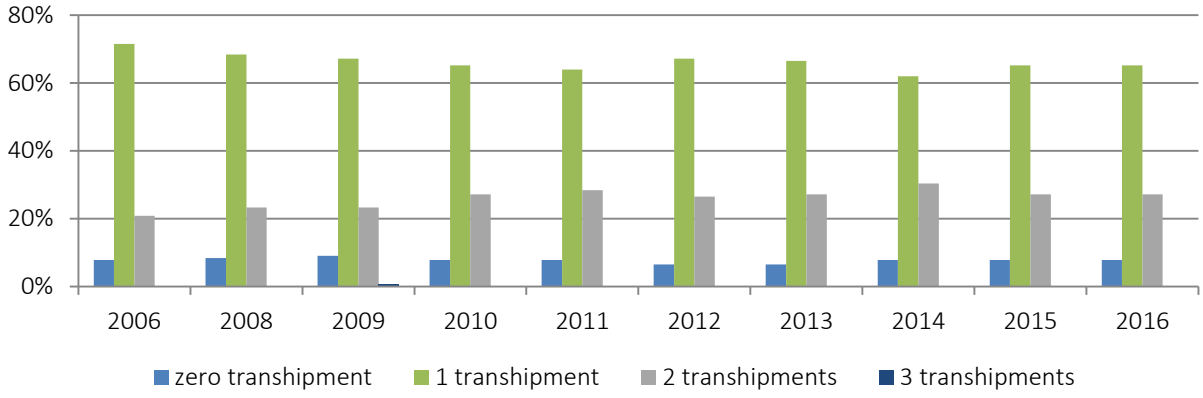


Source: based on data from UNCTAD.

Figure 33. Share of countries that can be reached by Dutch exporters with zero transhipment, 2006-2016

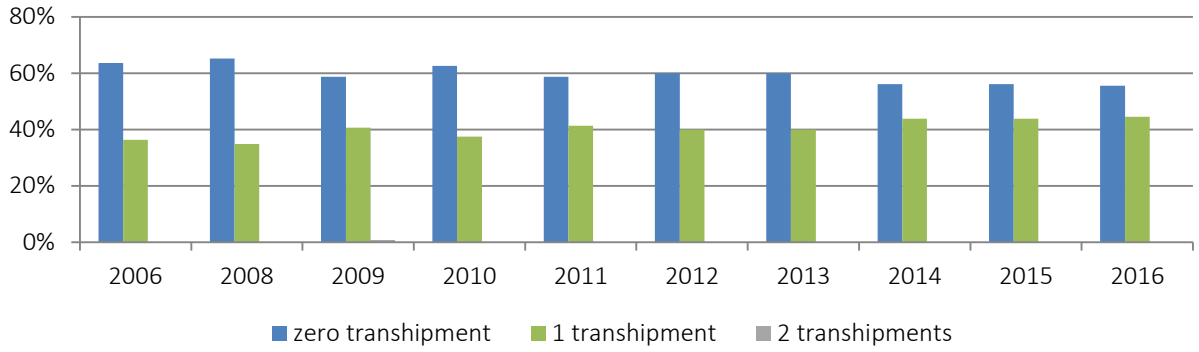
Source: based on data from UNCTAD.

Figure 34. Share of countries that can be reached by Estonian exporters with zero transhipment, 2006-2016



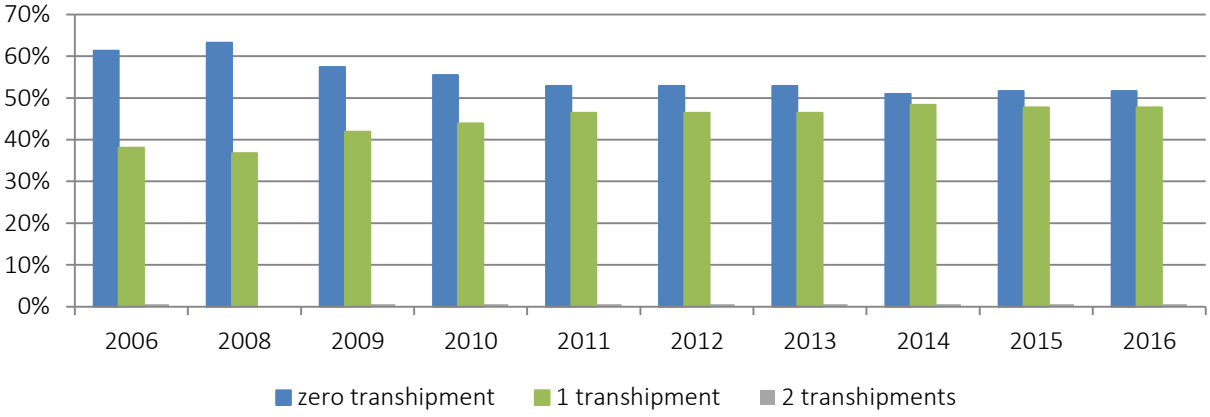
Source: based on data from UNCTAD.

Figure 35. Share of countries that can be reached by French exporters with zero transhipment, 2006-2016



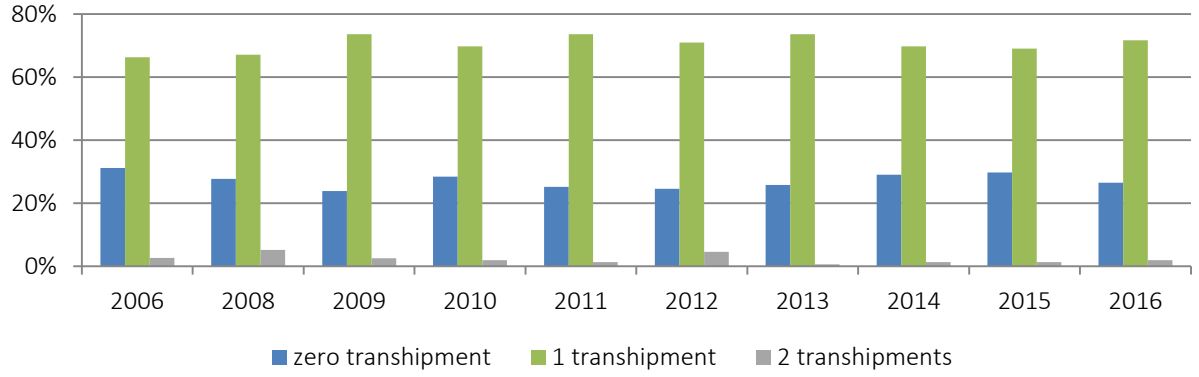
Source: based on data from UNCTAD.

Figure 36. Share of countries that can be reached by German exporters with zero transhipment, 2006-2016



Source: based on data from UNCTAD.

Figure 37. Share of countries that can be reached by Greek exporters with zero transhipment, 2006-2016

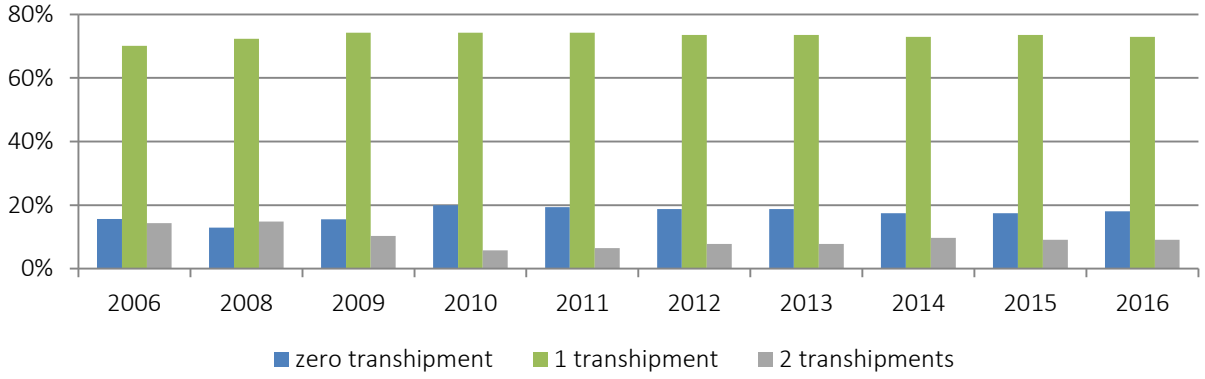


Source: based on data from UNCTAD.

Figure 38. Share of countries that can be reached by Irish exporters with zero transhipment, 2006-2016

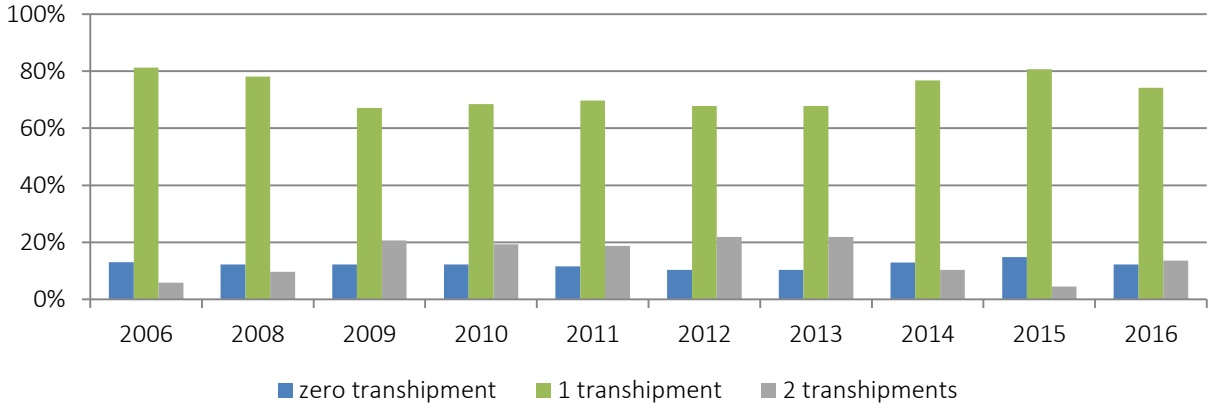
Source: based on data from UNCTAD.

Figure 39. Share of countries that can be reached by Polish exporters with zero transhipment, 2006-2016



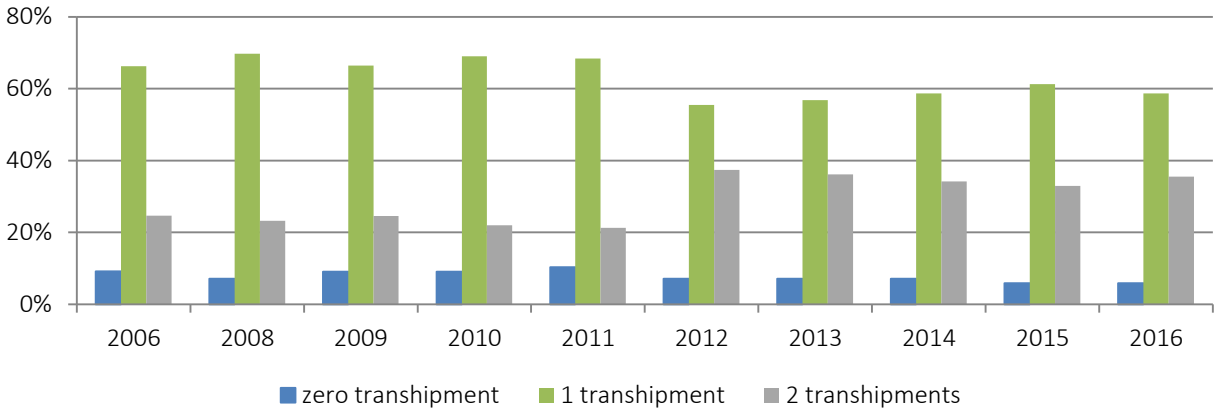
Source: based on data from UNCTAD.

Figure 40. Share of countries that be reached by Romanian exporters with zero transhipment, 2006-2016



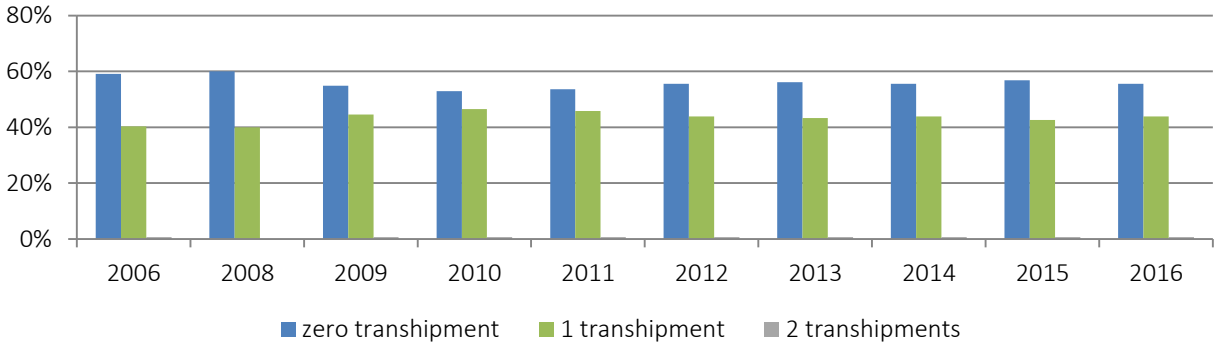
Source: based on data from UNCTAD.

Figure 41. Share of countries that be reached by Slovenian exporters with zero transhipment, 2006-2016



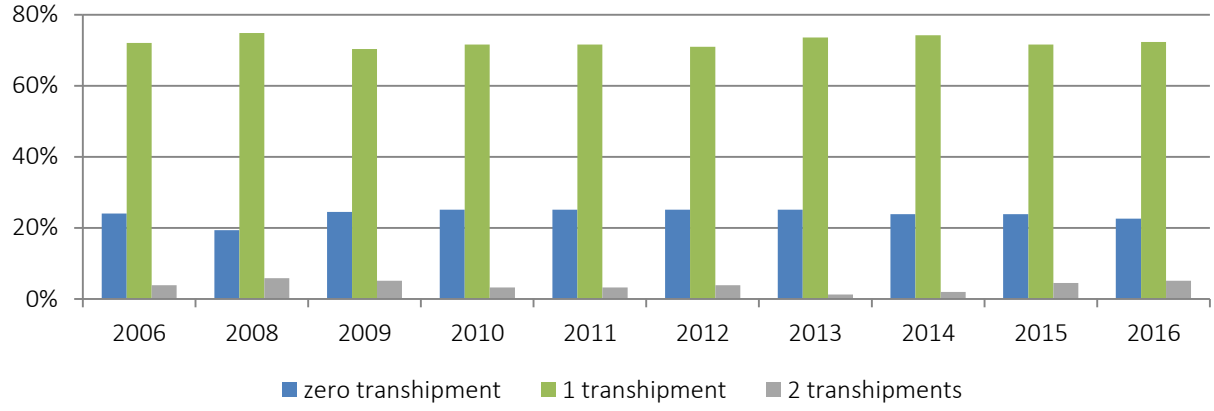
Source: based on data from UNCTAD.

Figure 42. Share of countries that can be reached by Spanish exporters with zero transhipment, 2006-2016



Source: based on data from UNCTAD.

Figure 43. Share of countries that can be reached by Swedish exporters with zero transhipment, 2006-2016



Source: based on data from UNCTAD.

Annex 3: Tonnage providers in 2012 and 2019

Table 21. Tonnage providers in January 2012

EU / Non-EU	Company	TEU	Ships	Ø Ship Size	Share of top 25
EU	CPO	537 956	101	5 326	10.7%
EU	NSB Niederelbe	439 868	98	4 488	8.7%
Non-EU	Seaspan	353 177	65	5 433	7.0%
EU	Erck Rickmers	342 803	69	4 968	6.8%
EU	Döhle	337 566	93	3 630	6.7%
EU	Norddeutsche H. Schuldt	329 028	78	4 218	6.5%
EU	Bertram Rickmers	325 438	94	3 462	6.5%
EU	Zodiac Maritime	319 572	56	5 707	6.3%
EU	Danaos	291 102	59	4 934	5.8%
EU	Costamare	240 056	49	4 899	4.8%
EU	Ernst Komrowski	187 771	47	3 995	3.7%
Non-EU	Shoei Kisen	173 503	40	4 338	3.4%
EU	NSC Schiffahrt	121 992	37	3 297	2.4%
EU	Schulte Group	116 285	38	3 060	2.3%
EU	Hansa Shipping	105 753	35	3 022	2.1%
EU	Laeisz	104 833	29	3 615	2.1%
EU	Thomas Shculte	96 074	34	2 826	1.9%
EU	Technomar	89 336	25	3 573	1.8%
EU	Hermann Buss	87 595	51	1 718	1.7%
EU	Schoeller Holdings	78 399	44	1 782	1.6%
EU	Synergy Marine	77 390	17	4 552	1.5%
Non-EU	Nissen Kaiun	77 331	15	5 155	1.5%
EU	Niki Group	72 360	8	9 045	1.4%
EU	Martime	71 087	29	2 451	1.4%
EU	Global Ship Lease	65 847	17	3 873	1.3%
	Total	**5 042 122**	**1 228**	**4 106**	**100%**
	EU	**4 438 111**	**1 108**	**4 006**	**88.0%**
	Non-EU	**604 011**	**120**	**5 033**	**12.0%**

Table 22. Tonnage providers in January 2019

EU / Non-EU	Company	TEU	Ships	Ø Ship Size	Share of top 25
Non-EU	Seaspan	914 418	112	8 164	13.0%
EU	Costamare	492 604	74	6 657	7.0%
Non-EU	BoCom	468 833	42	11 163	6.7%
EU	CPO	398 419	48	8 300	5.7%
EU	Döhle	390 355	94	4 153	5.6%
Non-EU	Shoei Kisen	373 308	41	9 105	5.3%
EU	Danaos	353 593	59	5 993	5.0%
Non-EU	Minsheng Leasing	349 815	36	9 717	5.0%
EU	Zodiac Maritime	336 455	41	8 206	4.8%
Non-EU	Eastern Pacific	283 695	33	8 597	4.0%
EU	Ship Finance International	279 290	43	6 495	4.0%
EU	Norddetusche H. Schuldt	228 677	46	4 971	3.3%
EU	Zeaborn	219 641	33	6 656	3.1%
EU	MPC	217 075	89	2 439	3.1%
EU	Navios	199 082	45	4 424	2.8%
EU	Global Ship Lease	198 675	38	5 228	2.8%
EU	Schulte Group	198 657	47	4 227	2.8%
Non-EU	CIMC Financial Leasing	174 608	19	9 190	2.5%
EU	NSB Niederelbe	159 973	28	5 713	2.3%
Non-EU	Nissen Kaiun	147 545	19	7 766	2.1%
EU	NSC Schiffahrt	138 438	25	5 538	2.0%
EU	Borealis Maritime	125 590	47	2 672	1.8%
EU	Enesel	124 848	10	12 485	1.8%
EU	Lomar	124 608	51	2 443	1.8%
EU	Capital Ship Management	116 435	18	6 469	1.7%
	Total	**7 014 637**	**1 138**	**6 164**	**100%**
	EU	**302 415**	**836**	**5 146**	**61.3%**
	Non-EU	**2 712 222**	**302**	**8 981**	**38.7%**

International Transport Forum

Container Shipping in Europe

This report reviews the development of container shipping over the last decade, in particular with regards to container trades to and from Europe. The issues covered include market concentration, performance and vertical integration. These subjects are relevant to the European Commission's evaluation of its Consortia Block Exemption Regulation which expires in April 2020.

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Published: 03/2019 | Photo credit: Shutterstock/anek.soowannaphoom