

International Chamber of Shipping

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International Freight Transport Services Inquiry
New Zealand Productivity Commission
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Dear Sir or Madam,

INTERNATIONAL FRIEGHT TRANSPORT SERVICES DRAFT REPORT JANUARY 2012

1. The International Chamber of Shipping (ICS) was pleased to submit comments to the New Zealand Productivity Commission on its July 2011 Issues Paper, and is grateful for the opportunity to comment further on the draft report of the Commission.
2. To reiterate, ICS is the principal international trade association for the shipping industry, representing all sectors and trades including containership operators, tanker operators and dry bulk carriers, as well as specialised trades such as chemical carriers and car carriers. The membership of ICS comprises national shipowners' associations from 36 countries. ICS represents over 80% of the world's merchant shipping tonnage.
3. ICS is pleased to note the support of the Commission for the retention of the exemption for non-ratemaking agreements in the Shipping Act, consistent with the APEC Guidelines Related to Liner Shipping. These agreements not only allow shipping services to cope better with the severe and sudden imbalances in trade flows, including intense seasonal fluctuations, that are a feature of global shipping markets, but enable shipping companies to commit to long term investments required to operate their high value assets.

4. We note the request (on p.182 of the report) for further information on the impact of the removal of the EU block exemption for ratemaking agreements, and in this respect refer to the recently published US Federal Maritime Commission 'Study of the 2008 Repeal of the Liner Conference Exemption from European Union Competition Law' which is available at:

www.fmc.gov/assets/1/Documents/FMC_EU_Study.pdf

5. ICS would particularly draw attention to the following interesting conclusions made by the Federal Maritime Commission about the period studied (2006-2010):

- The repeal of the EU Block Exemption (with effect from October 2008) has apparently not resulted with any *relative* decline in EU freight rates (after allowing for the effects of the economic downturn) compared with US trades. In other words, shippers in EU trades have not been advantaged as a result of the EU decision compared to shippers in e.g. Far East/US trades where the EU prohibition does not apply.
- There appears to have been an increase in rate volatility in EU trades, compared to Far East/US trades, and the FMC suggests that the activities of discussion agreements that are still permitted in Far East/US trades may have had a 'dampening effect' on rate volatility.

6. We respectfully repeat our suggestion that any radical changes to the current regime applicable to shipping could have an impact on the availability of liner shipping services needed to meet the New Zealand economy's requirements. We would further add that the positive assessment of the competitiveness of the international shipping industry serving New Zealand contained in the Commission report would seem to suggest that the current regulatory regime is effective and not in need of radical change.

7. ICS hopes this brief response is helpful in compiling the final report.

Yours faithfully

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International Chamber of Shipping

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