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SHIPPING

PORT ALLIANCE BIDS TO EASE WATCHDOG FEARS

Group of operators at Kwai Tsing terminal vows to cap prices to address competition concerns, but industry stakeholders say reforms insufficient

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A powerful alliance that controls much of the city's major container port has released a list of proposed remedies aimed at addressing concerns raised last year by Hong Kong's competition watchdog, though industry stakeholders yesterday said the reforms did not go far enough.

Following a 17-month probe into suspicions of a cartel, the Competition Commission reiterated yesterday that the formation of the Seaport Alliance, a contractual joint venture formed by four of the five container port operators at Kwai Tsing Container Terminals in the New Territories, had indeed led to competition concerns in areas such as shipment between Hong Kong and the mainland, and logistics services within the local port.

In response, the alliance offered a set of proposed remedies to ensure a level playing field over the coming eight years, with the commission appointing a trustee to scrutinise compliance.

"The commission considers that the proposed commitments are appropriate to address its concerns, and it therefore proposes to accept them," the watchdog said in a statement.

Set up in January 2019, the alliance operates 23 berths across eight terminals at the Kwai Tsing port, with a 95 per cent share of the market, leaving the sole remaining operator – DP World – to administer one berth at Terminal 3.

The alliance had aimed to utilise the operational, commercial and financial resources of different port operators at the container terminal to raise its competitiveness on the world market after a decline in business in recent years. Hong Kong was ranked the world's eighth-busiest port in 2019, according to the Marine Department, down from seventh in 2018. It lost its long-held crown as the world's busiest in 2004.

The commission said the alliance had not caused any concerns when it came to international transshipment and barge transshipment markets in East Asia and the Pearl Rival Delta, where alternative suppliers of shipping lines are available.

However, anticompetitive behaviour had arisen from services relating to the loading and unloading of ocean-going vessels, and of trucks running between the city and the mainland, it said.

"The parties are therefore unlikely to be subject to effective competitive constraint in this market, and could potentially increase charges, or reduce service levels, to the detriment of their customers," the commission said.

"The alliance is likely to give rise to competition concerns with regard to the provision of various services at Kwai Tsing to customers other than the shipping lines, such as truck operators and freight forwarding companies, by enabling the parties to raise charges for these services."

The alliance includes Hongkong International Terminals (HIT), Cosco-HIT Terminals, Asia Container Terminals and Modern Terminals. Tycoon Li Ka-shing's Hutchison Port Holdings owns HIT, while Cosco-HIT and Asia Container Terminals are associates, and Modern Terminals is mostly owned by Wharf Holdings.

To address the concerns, the alliance proposed capping its charges at last year's prices for services to shipping lines for shipment between the city and the mainland. It proposed providing a minimum service level for gate access to the Kwai Tsing terminal and turnaround time for truck services at the port. It suggested those proposals, among others, remain in place for eight years.

The alliance also maintained its joint planning and allocation of berths had boosted the port's efficiency, halving the number of trips required to transfer goods between vessels.

However, Hong Kong Shippers' Council chairman Willy Lin Sun-mo said the resulting savings were not being passed down to those who had to do business with the alliance. He also questioned why the proposed remedies merely capped charges, rather than reducing them.

"Why can't the charges come down at this difficult economic time?" he asked. "If the alliance manages to raise efficiency and savings, why is there no transparency in letting us know who benefited from the savings? We have not seen any port handling charges come down."

He added the council supported any efforts to make the terminal more competitive, but the alliance had yet to engage industry stakeholders for consultation over the proposed remedies.

The alliance yesterday said its members did "not believe that the Seaport Alliance raises competition law concerns but are pleased that their engagement with the Competition Commission has led to a solution".

The commission is gauging public views on the alliance's planned commitments until August 26 before finalising them.

The Transport and Housing Bureau said it would monitor the outcome of the consultation, in particular other industry stakeholders' feedback.

DP World had not responded to a request for comment. The alliance said last December that DP World was in talks to join them.