

Brussels, 20 November 2020

Competition Policy supporting the Green Deal

ETF contribution

In our contribution we, the European Transport Workers' Federation, would like to focus on the distortion of competition in the maritime supply chain, which concerns all aspects mentioned in the call: state aid, antitrust rules and merger control. Taking into account growing pressure to make the maritime transport greener, these issues should be addressed promptly as the competition policy in the maritime sector in its current form does not follow the Green Deal objectives.

Maritime subsidies

The International Transport Forum-OECD [report on maritime subsidies](#) highlighted the fact that the existing European subsidies do not bring added value to the European economy and society. They also distort market, as vertically integrated operators tend to benefit from them more than independent operators. In some European countries, port terminal operations have been included under the scope of the tonnage tax, although the EU Maritime State Aid Guidelines don't make mention of terminal operations as shipping-related activities. The coverage of port operations under the scope of the tonnage tax - granted to qualifying shipping companies that opt to be taxed on the basis of their net tonnage instead of on the basis of their profits - might lead to the distortion of the cargo handling market, and unfair competition between carrier-controlled terminal operators, that benefit from the special tax regime, and independent port terminal operators who are obliged to pay taxes on the basis of their profits.

Additionally, the maritime subsidies in their current form fail to promote European flags or to increase short sea shipping within the EU. To remedy this situation, the objectives of subsidies should be more targeted instead of generic instruments such as general fuel tax exemption or tonnage. Positive conditionalities should be attached, e.g. investing in clean technologies, increasing employment of European crew, using European flags, as well as a ban on using letterbox companies. Crucially, maritime transport or inland waterway ship operations should not be publicly funded if the shipping companies do not pay taxes in the EU. Finally, the subsidies should be granted in a transparent way, and their effects should be publicly reported.

Antitrust rules

The EU's Consortia Block Exemption Regulation (CBER) for liner shipping has been in place since 1995 and was revised in 2010. Since then, it has been renewed, without modifications, every five years. In March 2020 the European Commission decided to renew the CBER without modifications, disregarding the result of the stakeholders' consultation, which delivered a very critical view of the way exemptions to consortia are granted at the moment.

The aggregation of liner companies in consortia creates oligopolies which create market distortions: consortia are often vertically integrated and exercise a dominant role by benefiting from the application of the tonnage tax for terminal operations as explained above. This results in pressure on working conditions for all workers along the supply chain: at sea, ashore in the ports and in the logistic

sector. As the competition is limited, it might also reduce incentives to move towards more sustainable operations.

For these reasons, CBER is considered a disproportionate and excessively liberal concession from normal competition rules, that could cause serious and irreparable harm to the European workers of the sector, while the role of the European Commission should be to guarantee a true level playing field.

Merger control

As mentioned above, vertical integration of shipping companies that own container terminals, together with alliances and vessel sharing agreements practices, play a key role in facilitating the distortion of the competition.

A wave of market consolidation has transformed the global container shipping industry, leading to mergers and acquisitions between container lines, a reshuffling of shipping alliances and the expansion of shipping companies into port and tug operations, freight-forwarding and offshore energy, and has put pressure on local salaries and working conditions. The emergence of vertically integrated terminal operators – controlled by carriers – as well as the ambition of various container carriers to provide similar services as freight forwarders, raise the question of possible market distortions of competition along the whole maritime value chain, between operators that are subsidised and independent freight forwarders or terminal operators that are not subsidised. As mentioned above, this power imbalance might disincentivise transition to environmentally and socially sustainable sector.