Container Shipping is a Competitive Industry

World Shipping Council

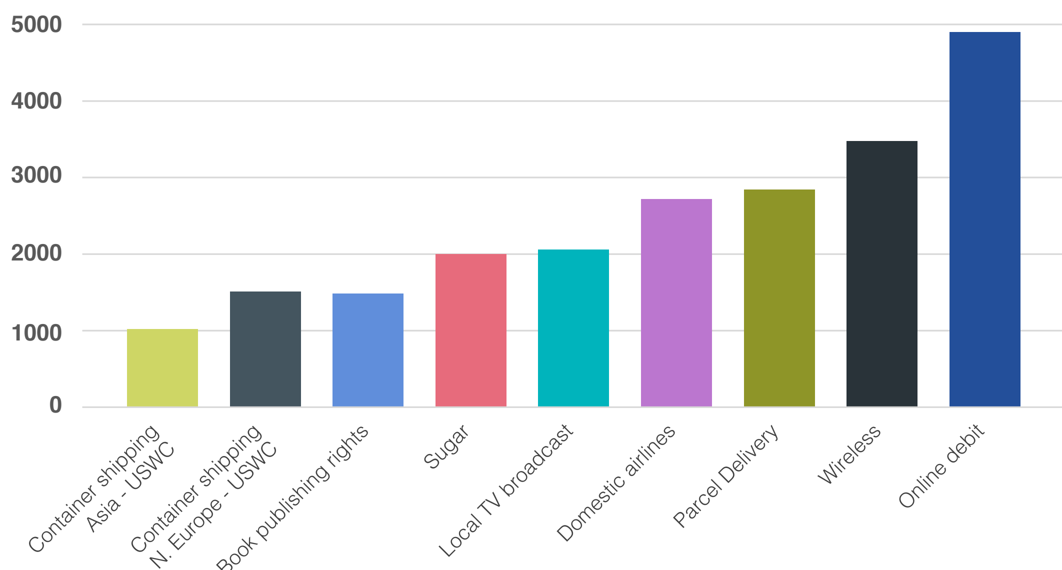
The COVID-19 pandemic continues to have a major impact on the entire supply chain, including liner shipping. These demand-driven disruptions have led some to allege that the container shipping industry is highly concentrated, thereby implying that the industry is not competitive and that customers suffer as a result.

This assertion is factually incorrect.

Ocean carriers actively compete against one another in the global marketplace, including on the shipping lanes most relevant for U.S. trade. Regulators in the U.S. and Europe have repeatedly and recently confirmed that this is the case. Concentration levels in many other U.S. industries are markedly higher than those in container shipping.

Liner shipping is a highly competitive industry

- A commonly accepted measure to analyze concentration in markets is the Herfindahl–Hirschman Index (HHI). The HHI, which rates markets using a 0 to 10,000 scale, is used by competition authorities in the U.S. (the Department of Justice Antitrust Division and the Federal Trade Commission) and in the European Union (European Commission) to determine the existing level of concentration in a given market. The higher the number, the more concentrated the market — with an HHI below 1,500 considered competitive, between 1,500 to 2,500 moderately concentrated, and above 2,500 highly concentrated
- On both trade lanes most relevant for U.S. trade (Asia – U.S. West Coast and Northern Europe – U.S.), HHI levels are indicative of competitive markets, and no single supplier has more than 25% of market share. The HHI for the container shipping industry serving Asia – U.S. West Coast is 1,018. For Northern Europe – U.S. it is 1,508. Even the higher figure barely breaks into the "moderately concentrated" range, and both figures are lower than in many other industries, including wireless carriers, domestic airlines and local broadcast television.



Vessel space sharing arrangements allow ocean carriers to provide consumers with better service at a lower cost

- Another common misconception involves vessel sharing agreements — VSAs — and their impact on competition in the industry. VSAs are purely operational agreements that enable carriers to share space on one another's ships, which increases efficiency and supports more service to more ports than would otherwise be the case. Those arrangements are the backbone of the international containerized transportation system.
- Importantly, the operational agreements do not include commercial cooperation. Each member of a VSA determines its own commercial terms, including prices. Therefore, carriers within a VSA compete with each other, and with other carriers outside of that VSA, when selling their services to customers. Additionally, carriers offer and add their own services outside of the VSAs in which they participate.
- In a clear sign of a competitive market responding to increased demand, competition increased in 2021, with more ships operated by a larger pool of carriers serving the trans-Pacific trade. And since the start of the pandemic, the market share of the largest carrier alliances has decreased while the non-alliance share has doubled.
- In the U.S. and around the world, policymakers recognize that transportation customers benefit from the increased service levels and operational efficiencies that VSAs support. Undermining the use of VSAs would reduce service for U.S. importers and exporters and reduce efficiency in liner shipping, thus raising costs for transportation customers.