The Global Shippers’ Forum (GSF) is the international non-governmental trade association representing the interests of shippers as users of international freight services on regulatory, operational, and trade issues concerned with all aspects of the global supply chain covering all modes of transport.

The membership of the GSF comprises regional and national shippers’ associations from over 40 countries from the world’s main trading regions, covering the majority of goods shipped by sea, air, road and rail.
This has been a remarkable year for the GSF. With the incorporation of the GSF in June earlier this year, and the establishment of a permanent secretariat in the UK from 1 July 2011, we now have a fully recognised international trade association to represent shippers at the highest levels of global governance. While we may look back with nostalgia at the informal arrangements which date back to 1994, we must look forward as the challenges we face as shippers, both on a regulatory and commercial basis, are today much more complex.

For example, as this Annual Report is being prepared, the GSF has been asked by the International Labour Organization to Chair the Group of Experts meeting in Geneva convened to review existing UN guidelines on the packing of containers. That invitation, let alone participation in the review, would simply not have been possible unless the GSF had been a recognised and incorporated organisation. If we consider that the ILO, in conjunction with its sister UN organisations – the International Maritime Organization (IMO) and the UN Agency for Europe (UNECE) – is intent on drawing up new guidelines that will directly affect shippers and potentially their liabilities and responsibilities, we begin to appreciate the effect this could have on shippers world-wide and why shippers need a seat at the table.

As this Annual Report will show, parallel proposals by the IMO to introduce new mandatory regulations on weighing containers prior to shipment, and embryonic proposals put forward by the shipping industry through IMO for what amounts to a tax on bunker fuel to be paid by shippers, emphasises why a strong GSF is so important for global industry. There is no doubt that tackling climate change is one of the biggest challenges the world faces, and mitigating and reducing transport carbon emissions is a key priority for governments. However, merely passing the problem and cost on to the customer – the shipper – is not the right answer.

What is so worrying is that policy makers in IMO and politicians in national governments around the world, who might see this as a golden opportunity to raise much-needed cash, could seriously entertain such a scheme. It may provide a quick-fix solution for the shipping industry, but what will it do to international trade? An absent seat at the IMO table would ensure that no countervailing arguments or wider consideration of the implications of such a policy would be heard.

In the current economic climate there is no doubt that such a voice must be heard. At a time when the world economy is teetering on a wire, shippers – who are directly responsible for world trade and the demand for shipping services – need to make clear exactly what the consequences of a tax on trade would do, especially at a time of financial crisis and when the global economy is so fragile, and every effort is being made to stimulate demand. We need alternative solutions for dealing with shipping emissions, and the GSF will develop alternatives for wider
discussion with our shipping industry colleagues, policy makers and politicians during the course of 2011 and 2012.

The issues referred to above are some of the new challenges facing shippers. There is, however, some unfinished business. In 2011 it is intolerable that many governments still sanction, and even approve, of 19th century practices that exempt shipping lines from modern competition policy. Simply put; such exemptions amount to a de facto protectionist policy to support shipping lines at the expense of shippers who effectively pay a tax on their imports and exports as a consequence of such exemptions. This is not in the interest of developing world trade. The GSF will therefore continue to show zero-tolerance to such inefficient business practices and anti-competitive policies and will reinvigorate its campaign to remove such anti-trust exemptions where they still exist.

At its Annual Meeting in Macau in September 2010, GSF members took the historic decision to incorporate the GSF and, in doing so, establish a new international trade association to represent shippers interests.

At the inaugural Board meeting on 26 May 2011 held to cement and finalise that decision, I was honoured to have been appointed Chairman of the GSF Board. The creation and incorporation of the new GSF has entailed a huge amount of work and effort by the Steering Group. I would therefore like to thank the Steering Group for their support and valuable work. They have created and delivered a new global shippers’ trade association fit to meet the future needs and challenges of shippers all over the world.

I very much look forward to serving your interests as Chairman of the Board and GSF in the years ahead.

Bob Ballantyne
The past 12 months has been a momentous year for the GSF. Following agreement to proposals tabled at the Macau GSF Annual Meeting in September 2010, the GSF sanctioned a Steering Group comprising representatives from the main geographical regions – Asia, Canada, Europe and the United States – to agree the arrangements for incorporation of the GSF.

**GSF Board and Secretariat**

During the spring of 2011, the Steering Group agreed that the GSF should be incorporated as a company limited by guarantee in the United Kingdom. Incorporation by guarantee is the method by which ‘not for profit’ organisations are established in the UK. The arrangements were formalised on 26 May 2011 at an inaugural meeting of the GSF Board of Directors who formally signed the incorporation documents at the International Transport Forum in Leipzig, Germany. Following registration with the UK authorities, the GSF opened up operations on 1 July 2011.

Under arrangements agreed by the GSF Board, the GSF Secretariat will be provided by the UK Freight Transport Association from offices in Tunbridge Wells, Kent, close to the centre of London. FTA is the UK’s leading freight and logistics organisation which incorporates the British Shippers’ Council, the world’s first shippers’ council established in 1955. FTA’s roots as a transport user organisation date back to 1889. The UK-based location for the GSF was considered highly advantageous due to the fact that the International Maritime Organization is centred in London and London’s close proximity to other

**Chairman of the Board and GSF Chairman**

Mr Robert H Ballantyne
President, *Canadian Industrial Transportation Association, Canada*

**Other Board Members**

Mr John Lu
Chairman, *Asian Shippers’ Council, Singapore*

Mr Bruce Carlton
President & CEO, *National Industrial Transportation League, United States of America*

Mr James Hookham
Managing Director – Policy & Communications, *Freight Transport Association, UK*

**Secretariat**

Mr Chris Welsh
Secretary General

Mr Christopher Snelling
Policy Advisor – Maritime & Ports, *Aviation & Aviation Policy*

Mr Don Armour
Policy Advisor – Safety, Customs & International Trade Procedures Policy

Mr Chris MacRae
Policy Advisor – Dangerous Goods & International Rail Policy

Mr Chris Yarsley
*GSF Permanent Delegate to the EC, Brussels*

*The Global Shippers’ Forum Board: James Hookham, Robert H Ballantyne, Bruce Carlton and John Lu, with Chris Welsh (second left)*
UN-based organisations situated in Geneva, Paris and Brussels. FTA’s Brussels office also provides GSF direct access to the EU institutions. Chris Welsh from FTA was appointed Secretary General of the GSF by the GSF Board.

UN accreditation and wider recognition

As this Annual Report will illustrate, the decision to incorporate the GSF is not only desirable but has proved to be both timely and essential. In 2010/11, key UN and regional inter-governmental based organisations launched a series of new regulatory initiatives that will directly affect shippers. Without incorporation, the establishment of a permanent base and secretariat, the GSF would not have been in a position to defend and represent shippers’ interests. This is underlined by the following initiatives.

The International Labour Organization (ILO), in conjunction with the IMO and UN Commission for Europe (UNECE), launched a regulatory review into the guidelines relating to the safe stowage and securing of cargo in containers. The review has been prompted, amongst other things, by a number of high profile incidents relating to the mis-declaration of cargo weights and inappropriate stowage of containers.

In parallel with the ILO review, the IMO has started a new regulatory initiative to introduce new mandatory rules on shippers to weigh containers prior to shipment.

On top of this, the IMO is seeking a wider mandate from the UN to regulate reductions in shipping industry CO2 emissions, and has challenged the shipping industry to develop appropriate ‘market-based mechanisms’ (MBMs) in response to international measures to tackle rising greenhouse gas emissions. A current main contender actively under consideration by the shipping industry is a bunker levy (Environmental Compensation Fund) which, if accepted by the IMO, would effectively amount to a mandatory fuel tax that would be paid directly by shippers.

In Asia, the Asia-Pacific Economic Cooperation group (APEC) launched a key inquiry into liner shipping non-rate making agreements. The study was part of a wider APEC regulatory reform initiative, and as a consequence of GSF’s global leadership and expertise in the area of maritime transport and regulatory reform,
GSF was invited to submit comments to the inquiry. This culminated in an invitation from the government of Japan on behalf of APEC for the GSF to participate in a one-day workshop on the draft non-rate making agreement guidelines held in Tokyo in October 2010. This was the first time the GSF had been invited by a key Asian intergovernmental agency to participate in its work; recognition of GSF's growing influence in the Asia region.

In October 2011 the UN Committee for Trade and Development (UNCTAD) invited GSF to Geneva to discuss possible areas of joint collaboration, including trade facilitation and capability building initiatives, particularly in regard to supporting shippers’ organisations in Africa and in Central and Latin America, where UNCTAD is currently undertaking various missions.

Finally, GSF's involvement in the development of the Global Air Cargo Advisory Group (GACAG) in 2010/11 in conjunction with IATA, FIATA and TIACA, has opened the door to wider involvement in the International Civil Aviation Organization (ICAO) and the World Customs Organization (WCO) on such matters as aviation security and customs and trade facilitation issues, including the development of e-commerce.

During the course of 2010/11 the GSF was invited to participate in the work of a number of important international inter-governmental organisations. This is due to GSF’s growing influence and intention to establish itself as a fully incorporated non-governmental organisation. As a result of incorporation in June 2011, GSF is now well placed to achieve full UN accreditation to these key international inter-governmental organisations in 2011/12.

Working with industry partners

However, during the course of 2010/11 GSF's new found influence and status has not been solely restricted to important inter-governmental organisations described above, but also to a range of national governments and other regional and global organisations.

In addition to partnering with IATA, FIATA and TIACA to develop a new air cargo agenda, the GSF’s enhanced status has opened up a more formal dialogue with international shipping organisations, such as the International Chamber of Shipping (ICS), World Shipping Council (WSC) and The Baltic and International Maritime Council (BIMCO). Both the ICS and WSC have invited GSF to participate in industry-wide discussions on the shape and development of various initiatives to reduce shipping carbon emissions, and GSF has started preliminary discussions with BIMCO in regard to the possibility of developing a container shipping service level agreement.

In May 2011, in support of our international shipping organisations and seafarers’ trade unions’ colleagues, the GSF joined a coalition of shipping interests to campaign for coordinated international action against piracy. The ‘Save Our Seafarers’ campaign is primarily concerned with bringing international attention to the tragic human consequences, including the loss of life and the plight of over 600 seafarers’ held hostage for ransom in Somalia, as well as the adverse consequences for international trade.

Our cooperation with international business organisations was also formalised in June 2011.
when GSF was officially invited to represent shippers globally by the International Chamber of Commerce (ICC) based in Paris. At the June meeting of the ICC Transport and Logistics Committee, GSF gave a presentation to the main international transport and logistics trade associations informing them of GSF’s incorporation and our key policy agenda going forward. The GSF is now able to play its full part in developing international business policies in conjunction with other key global transport and trade organisations.

Supporting GSF members’ policy initiatives

The GSF has continued to work closely with the national and regional shippers’ organisations within the membership of GSF to support global shipping regulatory policy reform. In addition to GSF’s influential APEC representations, the GSF presented a comprehensive policy submission in response to the Competition Commission of Singapore review of the Shipping Conferences Exemption Act in October 2010.

As part of the Asian Shippers’ Council shipping regulatory reform campaign, in September 2011 the GSF also submitted a detailed response to the New Zealand government’s Productivity Commission inquiry into the competitiveness of international freight services. The GSF submission called for the repeal of the New Zealand Shipping Act’s exemption for liner shipping conferences to fix rates and common tariffs.

The newly-launched GSF website will be a key focal point for promoting GSF policies and disseminating information between, and for, members.

The GSF website launched in July 2011 – www.globalshippersforum.com
A review of the policy agenda

Our policy mission

The goal of the GSF is to promote policies that reflect competitive and efficient global freight transport and logistics systems, including the promotion of safe, secure and environmentally sustainable international transport operations through dialogue and cooperation with national governments and inter-governmental organisations.

Liner shipping regulatory reform

Global liner shipping reform is a core GSF policy goal and has been a key campaign issue for the GSF since its origins in the early 1990s. Under the auspices of the Global Shippers’ Tripartite Group, the predecessor of the newly incorporated GSF, global shippers’ organisations closely collaborated and coordinated their input into the 2000/2001 OECD Maritime Regulatory Reform inquiry. That early close cooperation proved to be an effective process for influencing key international policy makers. The OECD report in 2002 recommended that antitrust treatment of rate making and non-rate making agreements (consortia) should be separated, and that governments should review antitrust exemptions where they existed.

After a lengthy inquiry, EU member states unanimously repealed the EU Liner Conference Block Exemption, which took effect from 18 October 2008. The substantive EU review concluded that there was no evidence that the liner shipping industry required exemptions from antitrust rules to operate. As a result of the abolition of conferences in trades to and from Europe approximately 50 per cent of the world’s TEU shipping capacity, including two out of the three world’s largest liner shipping markets – the transatlantic and Asia-Europe trades – are now free from price fixing shipping cartels. This is an important statistic, as global antitrust exemption is therefore no longer the liner shipping industry regulatory norm, and it removes one of the main historical arguments adopted by governments for retention of the antitrust system.

The post liner conference regulatory environment in Europe

At the height of the world financial crisis in 2009/10, which sent world trade spiralling downwards, and amid calls by some shipowners for temporary reinstatement of conferences to cope with the impacts of the crisis, the European Commission Competition Directorate reiterated its view that it had not seen any evidence from shipping lines that liner cartels produced stability or were necessary to provide reliable, efficient and reasonably priced services. The Commission warned shipping lines against the temptation to establish ‘crisis cartels’ and pointed to the severe penalties handed down by the European courts against such crisis cartels in other sectors.

In Europe, competition regulation has now moved on to compliance and enforcement. Inevitably, there will be a long learning curve for an industry that has for decades taken for granted, and considered normal, the regular exchange of information leading to, in competition and antitrust law jargon, ‘hard core’ practices such as price fixing. The difficulties of compliance for shipping lines with global operations are no doubt compounded by the fact that information exchanges and collusive behaviour which is outlawed in trades to and from Europe, and could lead to fines and imprisonment, may be legal in non-EU jurisdictions. This must inevitably
make instilling new cultures and ways of working extremely difficult and, of course, increases the opportunity for serious breaches of EU competition laws.

The issue of the exchange of information, including the appropriate level of aggregation and sharing of such data was, and probably still is, a difficult and complex issue for the liner shipping industry. At the time of the repeal of the conference block exemption in 2006, the European Commission published guidelines which gave some advice to shipowners on information exchanges. Such advice is not unique, but neither is it a common Commission practice. While the establishment of the guidelines may have provided some initial comfort for the shipping industry, it also carried with it inherent dangers.

Chief among these is when information exchanges and data may reveal intentions on future conduct on prices or capacities, particularly when exchanges may lead to the direct deduction of future prices or capacity intentions including, for example, the withdrawal of capacity. This is a complex area of competition law but, for example, if the exchange of information is used as a collusive devise and allows a competitor to charge a higher price without fear of losing market share because that price would be unchanged, and because it would be followed or matched by competitors in the market, it is likely to infringe EC competition law as the companies have converged to an increased anti-competitive price level in the market.

Whether the legal issues raised above are in any way analogous or merely speculative with regard to recent shipping line activities in Europe remains to be seen, but during the course of 2009/10 a number of important liner trades within the jurisdiction of the EU exhibited a range of activities that raised concerns that some form of parallel conduct might have been the cause of capacity withdrawals and price increases.

These concerns were reinforced when on 17 May 2011 the European Commission announced that it had conducted ‘dawn raids’ at the premises of 12 shipping lines within the EU. The Commission said it had “reason to believe that the companies concerned may have violated the antitrust rules that prohibit cartels and restrictive business practices and/or abuse of a dominant market position” under EC competition rules.

This is likely to be a protracted inquiry, and there is no direct evidence of wrong-doing at this point, but it does underline – as in recent airline and freight forwarding competition cases – that the European Commission Competition Directorate will continue to play a proactive role in the enforcement of EU competition law in the transport and logistics sector.

Global liner shipping reform developments

With approximately half of the world’s liner shipping markets now regulated under the normal application of competition and antitrust laws, following the repeal of the liner conference block exemption by the EU from October 2008, GSF’s campaign for global reform and abolition of liner
conferences is now focused on extending this much-needed reform to other parts of the world, most notably to Asia and North America.

Wider global reform is being strongly resisted by carrier interests, such as the International Chamber of Shipping and World Shipping Council. Their policy is to defend the conference system in those parts of the world where conferences are permitted. While the shipping industry’s position is understandable, bearing in mind the unique privileges and advantages antitrust exemption provides the shipping industry; antitrust exemption cannot be sustainable in the medium to long-term. This has been recognised by leading shipping companies such as Maersk Line who are on public record in acknowledging this view and their liking of the EU regulatory arrangements.

GSF welcomes Maersk Line’s position, and rather than continuing to defend the indefensible, the GSF believes the shipping industry should move on and embrace a new pro-competition paradigm where market efficiency, innovation and competitiveness are determined by free and fair competition in the provision of liner shipping services.

In Asia, and other parts of the world, GSF will continue to work with governments and inter-governmental organisations, such as ASEAN and APEC, to enhance their understanding of the substantial benefits ocean shipping reform can bring in terms of stimulating and enhancing international trade.

Encouragingly, a more positive development is the work undertaken by WTO, OECD, UNCTAD, ASEAN and APEC in addressing how domestic and international competition policy instruments, such as antitrust and competition rules, should be applied in international trade. Such organisations as the WTO and OECD have developed key competition principles. These include provisions for hardcore cartels, such as liner shipping conferences, and support programmes for the progressive development of competition institutions to implement and enforce competition policy.

There are increasing signs of governments’ acceptance of the importance of developing common global competition rules as part of their commitments to bodies such as WTO and OECD. For example, in October 2010 the government of Israel repealed the block exemption for liner shipping conferences. The repeal essentially followed the EU approach, providing an exemption for non-rate making agreements such as consortia. The Israel government’s repeal of the liner shipping conference exemption has been warmly welcomed by the GSF.

Asia and Oceania

Following steps taken to strengthen the GSF in 2009/10, leading to its incorporation in June 2011, the GSF has extended the range of its activities in the Asian region in support of Asian Shippers’ Council (ASC) members.
As part of GSF’s wider global regulatory reform campaign, it organised a regulatory reform seminar in conjunction with the GSF Annual meeting held in Macau in September 2010. The seminar reviewed developments in Asia, North America and Europe, in particular the proposed APEC (Asian Pacific Economic Cooperation) non-rate making agreement guidelines, antitrust developments in the US and a review of the EU’s repeal of the liner conference block exemption, including the outcome of a recent review into the EU consortia regulation. Speakers at the seminar included: Mr Richard Lidinsky, Chairman of the Federal Maritime Commission, Mr Doug O’Keefe, Transport Canada (on behalf of APEC), and Mr Hubert de Broca, Head of the Antitrust Transport Unit, European Commission Competition Directorate, Brussels.

The key conclusion of the seminar was that removal of antitrust immunity for liner shipping conferences in Europe, and greater maritime regulatory oversight in North America, placed Asian shippers at a serious competitive disadvantage compared to their European and North American counterparts.

The GSF and ASC therefore strongly support on-going work by the APEC Competition Policy and Deregulation Group in encouraging and promoting the implementation of competition policy throughout APEC economies, in particular in utilising the ‘APEC-OECD Integrated Checklist on Regulatory Reform’ in regard to competition and deregulation issues.

The GSF firmly believes that the implementation of competition policy in tandem with deregulation provides an essential framework that encourages market discipline, promotes economic efficiency and eliminates anti-competitive behaviour and other market distorting influences.

Such a competition policy framework should fully apply to the transport sector, including the liner shipping industry. The GSF and ASC consider that a thorough review of competition law exemptions throughout the Asia-Pacific area is urgently needed.
APEC guidelines on non-rate making agreements

In 2009/10 GSF submitted initial comments to APEC on proposed guidelines relating to the activities of non-rate making agreements in liner shipping, such as shipping consortia and vessel and slot sharing agreements.

The GSF submission recognised the potential benefits of non-rate making agreements as they were likely to be less restrictive of competition than liner shipping conferences, and potentially provided benefits in terms of efficiency and cost savings.

The GSF Macau meeting in September 2010 reviewed progress on the proposed guidelines, including five general recommended guidelines which APEC economies should follow.

As a general principle, the GSF stated in its submission that a broad blanket exemption from antitrust laws was unnecessary because such cooperative arrangements were largely permissible in the wider economy, provided that such agreements did not eliminate or distort competition in the market. Consequently, it should be the responsibility of the parties to such agreements to assess whether their non-rate making agreements were likely to be restrictive of competition or not, in the same way as competitors party to similar cooperative agreements in other economic sectors.

As a result of our detailed comments and interventions, the GSF was invited to participate in the APEC workshop on non-rate making agreements held on 12 October in Tokyo. The GSF was represented by Mr John Lu, Chairman of the ASC. In recognition of the fact that many APEC economies were still at an early stage of development in implementing competition policy frameworks, the GSF recommended that if APEC were to recommend exemption for non-rate making agreements it should follow the approach of the EU block exemption for consortia agreements. This would largely remove the need for filing requirements for non-rate making agreements.

Competition Commission of Singapore review of the Proposed Block Exemption Orders Recommendations for Liner Shipping Agreements

In October 2010 the GSF, together with the Singapore Shippers’ Council and ASC, made detailed submissions to the Competition Commission of Singapore’s review of the Proposed Block Exemption Orders Recommendations for Liner Shipping Agreements. The submissions called upon the Competition Commission to repeal the Exemption Orders based on a detailed legal, economic and commercial analysis. The analysis included recent examples of shipping cartel abuses and the negative impacts for Asian shippers arising from these abuses. The submissions were substantially strengthened by a comprehensive response to the review by the European Commission Competition Directorate. The Commission stated in its submission that it had not seen any evidence in its recent extensive inquiries that showed that liner shipping required antitrust exemptions to operate efficiently and competitively.
However, despite this compelling evidence, and strong indications that it ignored the findings of its own consultancy report commissioned for the Block Exemption Orders Review, the Competition Commission of Singapore announced in December 2010 that it would be extending the exemption for a further five years to 31 December 2015. To date, the Commission has refused to release the consultant’s report and recommendations.

GSF will be mounting a campaign for release of the consultancy report and further justification from the Competition Commission of Singapore’s decision to extend the exemption for a further five years.

Japan announces deferment of ocean antitrust immunity review

In an extraordinary move the government of Japan announced in June 2011 that it had decided to defer the planned review of the antitrust exemption enjoyed by the shipping conferences to 2015. The statement issued by the government of Japan said that there was no decisive factor for Japan to eliminate its antitrust immunity immediately. The reasons cited for this decision included: adverse impacts since the EU abolished liner conferences in terms of considerable fluctuations in freight rates, rising surcharges and service rationalisations.

No detailed evidence has been provided to substantiate these claims, other than reference to a Dynama report which claimed that fluctuations in supply and demand were a direct result of the EU repeal of the liner conference block exemption. Moreover, the EU Competition Directorate’s own recent assessment of the impacts of the repeal of the EU liner conference exemption directly refute these claims.

Although this decision is hugely disappointing for GSF members and shippers in Asia, the announcement that there is no immediate need to review the exemption is interesting, and to some extent encouraging. The decision tacitly acknowledges that the government of Japan must review and justify its exemption treatment of liner conferences under its regulatory reform and competition policy obligations to such bodies as the OECD and WTO. The GSF will continue to work with the government of Japan and Asian inter-governmental organisations to ensure a more thorough understanding of the impacts and benefits to international trade arising from the EU abolition of conferences in 2008.

New Zealand inquiry into international freight transport services

In 2011 the New Zealand Productivity Commission launched a wide-ranging inquiry into international freight transport services. This included ports, airports, rail, road, air cargo and international shipping services. The inquiry focused specifically on the competitiveness of New Zealand logistics services as its ranking in the international league of the most competitive logistics nations was extremely low. The Productivity Commission’s scoping report for the inquiry noted that efficient and competitive international freight services were vital to New Zealand’s international competitiveness, and drew attention to the special problems faced by New Zealand due to its geographical location. The Productivity Commission’s report asked specific questions relating to the impact of existing regulatory provisions, such as Part 1 of the New Zealand Shipping Act 1987 which provides an exemption for liner shipping services.
In September 2011 the GSF made a detailed submission to the Productivity Commission’s inquiry relating to Part 1 of the New Zealand Shipping Act in support of the New Zealand Shippers’ Council’s wider ranging response to the inquiry. The GSF submission called for the repeal of the exemption which allows liner conferences to fix prices, tariffs and surcharges. The inquiry is expected to issue its findings during the course of 2012.

US regulatory reform developments

In 2010/11 the United States Federal Maritime Commission (FMC) launched a series of Fact Finding Investigations in response to severe market disruptions faced by shippers. The inquiry focused on capacity and equipment availability in United States export and import liner trades. Although the findings of the investigations have not been released, the FMC announced a number of recommendations including: Rapid Response Teams to provide prompt solutions to commercial disputes between shippers and carriers; a Working Group comprising shippers, carriers and intermediaries to deal with key issues arising from the FMC’s Inquiry; a Service Contract Project to assist small US shippers to improve their service contract practices; and enhanced oversight and monitoring of global ‘alliances’ such as the Transpacific Stabilization Agreement.

The FMC is also conducting a comprehensive study into the impact on US liner trades as a result of the abolition of liner conferences in 2008.

The most significant development in 2010 was the introduction of a Bill in Congress (H.R.6167) by Congressman Oberstar to eliminate antitrust immunity for liner carriers to collectively discuss and agree rates, surcharges and carrier guidelines for contract negotiations and tariff pricing. Regrettably, the Bill fell due to the ‘mid term’ elections in November 2010. However, the dye has been cast for the need for a major reform of the existing regulatory arrangements which provide limited antitrust exemptions for liner shipping carriers. In January 2011 GSF member, the National Industrial Transportation League, in conjunction with 28 other organisations joined together to urge the Congress to bring forward new legislation to remove antitrust immunity for ocean carriers. The need for this reform has been well received, and the NITL is leading the campaign in the United States to reform the existing regulatory arrangements that provide antitrust immunity for ocean carriers.

The GSF is giving substantial backing and support for the NITL campaign.

The climate change challenge

Dealing with carbon and other green house emissions is one of the biggest challenges facing the transport sector. It also has huge implications for shippers, as they are under increasing pressure to reduce and decarbonise their supply chains to the greatest extent possible. The pressures for shippers to reduce their transport and logistics carbon footprint stems principally from two sources: from customers and consumers who expect shippers to take all reasonable steps to reduce their transport emissions; and from those shippers who have assumed a wider responsibility for accounting and auditing their total supply chain emissions under the Greenhouse Gas Protocol, so-called ‘Scope 3’
emissions provisions, emissions that extend beyond the mode of transport used to the wider total logistics supply chain.

The extent of global emissions relating to international shipping, aviation, road and rail is shown in the chart opposite.

Shippers, therefore, are not passive actors in the broader policy debate taking place under the auspices of the United Nations Framework Convention on Climate Change, and within the main modal inter-governmental organisations, such as the International Maritime Organization (IMO) and the International Civil Aviation Organization (ICAO) regarding the development of appropriate market-based mechanisms (MBM) for reducing CO₂. To inform the debate, GSF has prepared a report into maritime emissions (see www.globalshippersforum.com). The report reviews the various MBMs tabled by shipowner organisations and governments, and based on the findings of the report, GSF will develop a set of general principles which it considers to be essential for shippers’ acceptability of the various MBMs currently under development. In addition, GSF, through FTA, is jointly collaborating on a project in conjunction with Heriot Watt University (Edinburgh) on decarbonising the supply chain from the shippers’ perspective. The report will provide a series of management and best practice tools giving advice to shippers on steps they can take to reduce their maritime supply chain carbon footprint.

Although shipping is a highly carbon efficient mode of transport, representing 2.7 per cent of global green house gas emissions (see chart), according to the IMO left unchecked, emissions from shipping could increase by 150 to 200 per cent by 2050. In GSF’s view it is therefore essential the shipping industry takes responsibility for its impact on climate change, but not at the expense of other transport modes and the competitiveness of its customers-shippers.

While many individual shipowners have accepted this responsibility and are taking significant steps to reduce CO₂, the inability of the shipping industry to develop an agreed industry position has resulted in pressure from governments, most notably the European Union, to impose their own solutions, such as the proposed European Emissions Trading Scheme (ETS).

The GSF supports the adoption of global emissions reductions through IMO and ICAO. In the maritime sector, a range of MBMs and alternative schemes have been proposed by governments and shipowners’ associations. They vary significantly, and can be broadly split into the following categories.

- International ghg contribution fund in the form of a levy
- Cap and trade schemes
- Efficiency incentive schemes
- Hybrid efficiency incentive and credit schemes based on IMO’s Energy Efficiency Design Index (EEDI)
- Alternatives to MBMs/rebate mechanism for developing countries
No one doubts the complexity of the issue, and the highly complicated political nature of the debate within the UNFCCC, as well as the parallel discussions on climate change approaches currently taking place within IMO and on a national and regional basis. Nevertheless, regarding the approach to reducing maritime emissions, GSF believes it is vital that the wider maritime industry, including shippers, who have similar pressures to reduce their supply chain emissions, reach a common understanding on the most appropriate method of reducing CO₂ emissions. Reaching agreement on a common approach has been given added impetus following the recent European Court ruling that the European Commission is entitled to introduce the proposed EU ETS to the aviation sector for airlines flying through EU airspace. The court ruling has clear ramifications for the shipping sector.

Although a mandate was agreed at the UNFCCC Cancun conference endorsing the concept of establishing a ‘Green Fund’, which would provide support for developing counties in return for the latter’s agreement to UNFCCC reductions, GSF is concerned that the Green Fund will result in carbon taxes imposed on industry, in particular shippers, rather than incentive-based schemes which seek to encourage carbon reductions through conservancy and efficiency measures.

The Green Fund concept appears to be one of the main motivations behind the International Chamber of Shipping’s (ICS) proposals for a bunker levy announced in May 2011. Another being an unwillingness to invest in efficiency measures to reduce emissions. Details of the scheme have not been fully explained or developed, but it is envisaged that under the scheme emissions would be offset by a contribution paid by ships on every tonne of bunker fuel purchased; collected by a surcharge on bunker fuel. Based on researched figures by GSF, it is estimated that the bunker levy will potentially increase freight rates by 5 per cent globally.

While GSF remains committed to further discussions with the shipping industry on ways to reduce CO₂ emissions, GSF has strongly challenged the bunker levy proposal. The levy, in GSF’s view, would have an adverse impact on global demand and undermine the competitiveness of international trade. As highlighted above, many shippers are seeking greenhouse gas data in order to complete corporate emission reports and establish the carbon footprint of their supply chain operations. Consequently, shippers require voluntary reporting of emissions on a vessel by vessel basis or by individual shipping lines.

In order to further inform the debate in IMO, GSF has prepared a briefing report assessing the various shipping industry and government market-based schemes submitted to IMO. In parallel with this, GSF will engage in a wide-ranging discussion with the shipping industry in an attempt to reach an industry consensus on how to reduce CO₂. GSF strongly backs the recent package of ship efficiency measures agreed by IMO, such as the Energy Efficiency Design Index (EEDI) for containerships, tankers and bulk ship operators, and the Ship Energy Efficiency Management Plan (SEEMP). GSF believes IMO should build on these measures, focusing on bunker fuel as fuel accounts for the overwhelming proportion of emissions from ships. The accurate recording and reporting of fuel is an essential prelude to any concerted action to reduce emissions. Gathering such data would be necessary for the successful operation of incentive-based fuel reduction schemes, and further down the path to cap and trade schemes.

The IMO will discuss the various market-based schemes at the 63rd session of the Marine Environment Protection Committee (MEPC) to be held at IMO headquarters in London from 27 February to 2 March 2012. The GSF will be taking steps to ensure participation in future MEPC meetings, in line with GSF’s recent incorporation to obtain full UN accreditation to such bodies.

Similarly, GSF will issue a communiqué outlining its position on MBMs to the UN Framework Convention Conference on Climate Change scheduled to take place in Durban, South Africa on 28 November to 9 December 2011.
Maritime safety
Weighing and safe stowage of containers

The IMO has started work on a new regulatory initiative to make the weighing of containers mandatory prior to shipment. The IMO initiative stems from a proposal submitted to the IMO Maritime Safety Committee by the International Chamber of Shipping (ICS) and World Shipping Council (WSC) in December 2010.

The ICS/WSC IMO initiative took GSF by surprise, as only 14 months earlier GSF had endorsed the ICS/WSC Safe Transport of Containers by Sea Guide at its Annual Meeting held in London in September 2009.

GSF fully supports the ICS/WSC objective in reducing the incidence of incorrectly declared container weights, and will work with ICS/WSC in identifying solutions to this problem, including better education, dissemination of best practice and training. GSF remains unconvinced that new international mandatory rules will resolve the problem, as existing regulations impose requirements on shippers to accurately declare cargo weights.

In February 2011, GSF endorsed a new guide prepared specifically for shippers ‘Working with Containers – a best practice guide’.

In parallel with the IMO initiative the International Labour Organization is reviewing existing IMO/UNECE/ILO guidelines on the safe stowage of transport units (containers) throughout the multimodal supply chain.

The ILO established a working group to undertake the review in 2011. GSF, together with ICS/WSC and other employer and trades unions’ organisations, were invited to participate in the working group. In February 2011, the ILO convened ‘Trilogue’ discussions involving IMO/ILO and UNECE together with industry, trades unions’ and government representatives. GSF represented shippers at the Trilogue. The meeting reached broad agreement that the existing guidelines on the safe stowage of containers should be reviewed and that a simplified voluntary code of conduct should be prepared. It has been agreed that the voluntary code of conduct should build upon existing industry best practice and training arrangements. The working group agreed that the guidance should be kept as simple as possible in order to enhance use and compliance.

The IMO/ILO/UNECE working group met on 6/7 October 2011 in Geneva to start work on the revision of the guidelines. GSF Secretary General, Chris Welsh, was elected to chair the working group. The working group substantially endorsed the scope of the consultant’s inception report, including how the revision of guidelines and code of conduct work should proceed. The working group will organise a series of round table discussions involving GSF members in 2011/12 on the guidelines. The working group will finalise the guidelines and code of conduct by the end of 2012, and subject to formal agreement by IMO, ILO and UNECE will come into effect from 2013.

GSF framework container service agreement

During 2010/11, the UK Freight Transport Association (incorporating the British Shippers’ Council) undertook detailed legal work on developing a framework contract for shippers engaged in international liner shipping trades. The framework agreement was developed in conjunction with a leading London-based firm of
maritime lawyers with offices throughout Europe, the Middle East, and the Indian Sub Continent, Asia and Australia and New Zealand, and with partnership arrangements in North America. With the agreement of the GSF Board, FTA will offer the framework container shipping agreement to GSF members, including specialist consultancy advice.

Interest in developing a standard service agreement is growing in the container industry, partly as a result of the increased interest by shippers to enter into more modern and up-to-date contracts with more balanced terms and conditions. In that regard, the Baltic and International Maritime Council (BIMCO) has approached GSF to consider a joint initiative in developing a standard framework contract agreement. The GSF, in conjunction with its legal advisers, will in the course of 2012 explore the opportunity of developing a joint GSF/BIMCO framework contract. In addition, BIMCO is currently working on two new slow steaming charter party clauses. BIMCO has agreed to share the clauses for review by the GSF.

Cargo liability

The Rotterdam Rules were formally adopted by the United Nations Commission on International Trade (UNCITRAL) in September 2009. The aim of the Rotterdam Rules is to replace existing cargo liability regimes, such as the Hague/Visby and Hamburg Rules. Twenty four countries have signed the code, but so far only Spain has formally ratified the convention. Twenty countries are required to ratify the convention before its entry into force.

Opinion on the code has been divided, with reservations being expressed in Europe and Asia, particularly in regard to what is considered by some to be a complex convention. The tipping point in favour of the Rotterdam Rules, however, is likely to be ratification by the world’s leading trading nations, such as the United States. The GSF is to review its position to the Rotterdam Rules at its Annual Meeting in Atlanta on 16 November 2011.

Piracy

Piracy has continued to escalate in the Indian Ocean off the coast of Somalia during the course of 2011. The attacks have intensified with tragic loss of life and an increase in the number of seafarers and ships held hostage for ransom. This criminal activity is also causing serious disruption to international trade. The cost to international trade is estimated at US$12 billion. In order to draw international attention to the problem, and to campaign for enhanced UN, NATO and EU naval support to combat piracy, GSF joined with the
main international shipowner associations, and seafarers’ unions represented by the International Transport Workers’ Federation in supporting the ‘Save Our Seafarers’ campaign. The GSF assisted in the drafting and signed an International Chamber of Commerce ‘A Call for Action’ in May 2011. The Call for Action was also signed by the Asian Shippers’ Council. The ICC Call for Action included:

- an improvement in the rules of engagement given to naval vessels in the area
- refocusing the efforts of the United Nations and other international bodies to ensure that infrastructures are built in south central Somalia to prevent that part of the country being exploited by criminals and pirates
- assurances that piracy suspects are brought to justice and not sent back to Somalia without being held accountable for their crimes

As part of GSF’s contribution to the campaign, GSF will be urging its members to contact their governments to support international action to eradicate piracy.

Air cargo policy developments

GSF jointly establishes Global Air Cargo Advisory Group (GACAG)

The decision to incorporate the GSF at the Annual Meeting in Macau in September 2010 resulted in an invitation to jointly establish a new global alliance of air cargo global representative body in conjunction with IATA (International Air Transport Association), TIACA (The International Air Cargo Association) and FIATA (International Federation of Freight Forwarders Associations).

The motivation behind establishing the Global Air Cargo Advisory Group (GACAG) is to leverage greater collective influence on global air transport regulators, including ICAO and the World Customs Organization (WCO).

GACAG agreed that the key priorities for the organisation would be air cargo security and e-commerce. Other issues to be dealt with by GACAG include customs and trade facilitation and sustainability of the air cargo industry.

During the course of 2011, GSF has agreed with other GACAG partners’ terms of reference for task forces to pursue the jointly agreed air cargo priorities, and GSF has nominated shippers’ representatives to service on those various task forces. A GACAG Steering Committee has been established to coordinate and formally adopt recommendations made by the various task forces. The GACAG Steering Committee is to meet for the first time since signing the general principles and terms of reference in May 2011, at the forthcoming GSF Annual Meeting in Atlanta on 16 November 2011.

In March 2011, GSF was invited to participate in IATA’s World Air Cargo Symposium and Executive Summit held in Istanbul. This afforded the
opportunity of direct involvement in IATA’s air cargo initiatives, including the development of key industry standards and e-commerce to enhance the performance of air cargo supply chains for shippers. GSF has identified the following priorities for the air cargo industry.

- Worldwide accredited quality service standards to be implemented by the industry
- Acceleration of e-commerce to optimise air cargo efficiency and reduce transaction costs
- Secure mutual recognition for air cargo security standards globally
- Closer global air cargo supply chain collaboration to drive change and achieve industry improvements

The development of GACAG provides exciting opportunities for GSF to not only establish itself as the pre-eminent voice of shippers, but to deal with specific problems experienced by air cargo shippers and secure real tangible improvements in the air cargo system for the benefit of shippers.
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation (forum of 21 countries)</td>
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<td>ASC</td>
<td>Asian Shippers' Council</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<td>BIMCO</td>
<td>Baltic and International Maritime Council</td>
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<td>BSC</td>
<td>British Shippers' Council</td>
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<tr>
<td>CITA</td>
<td>Canadian Industrial Transportation Association</td>
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<td>CO₂</td>
<td>Carbon dioxide</td>
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<td>EEDI</td>
<td>Energy Efficiency Design Index</td>
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<td>ETS</td>
<td>Emissions Trading Scheme (EU)</td>
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<td>EU</td>
<td>European Union</td>
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<td>FIATA</td>
<td>International Federation of Freight Forwarders Associations</td>
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<td>FMC</td>
<td>Federal Maritime Commission (USA)</td>
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<td>FTA</td>
<td>Freight Transport Association (UK)</td>
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<td>GACAG</td>
<td>Global Air Cargo Advisory Group</td>
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<td>GHG</td>
<td>GreenHouse Gas</td>
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<td>GSF</td>
<td>Global Shippers’ Forum</td>
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<td>IATA</td>
<td>International Air Transport Association</td>
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<td>ICAO</td>
<td>International Civil Aviation Organization</td>
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<td>ICS</td>
<td>International Chamber of Shipping</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>IMO</td>
<td>International Maritime Organization</td>
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<td>MEPC</td>
<td>Marine Environment Protection Committee</td>
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<td>MBM</td>
<td>Market-Based Mechanism</td>
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<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<td>NITL</td>
<td>National Industrial Transportation League (USA)</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<tr>
<td>SEEMP</td>
<td>Ship Energy Efficiency Management Plan</td>
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<td>TEU</td>
<td>Twenty-foot Equivalent Unit</td>
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<td>TIACA</td>
<td>The International Air Cargo Association</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNCITRAL</td>
<td>United Nations Commission on International Trade Law</td>
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<td>UNCTAD</td>
<td>UN Committee for Trade and Development</td>
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<tr>
<td>UNECE</td>
<td>United Nations Economic Commission for Europe</td>
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<td>WCO</td>
<td>World Customs Organization</td>
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<td>WSC</td>
<td>World Shipping Council</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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<td>WWF</td>
<td>World Wildlife Fund</td>
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<td>Members of the GSF</td>
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<td><strong>Asian Shippers’ Council</strong></td>
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<tr>
<td>Includes Shippers’ Councils from: Australia, Bangladesh, China, Hong Kong (China), India, Indonesia, Macau (China), Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan (Province of China), Thailand, Vietnam</td>
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<tr>
<td><strong>Canadian Industrial Transportation Association</strong></td>
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<td><strong>Consejo de Cargadores (CAC &amp; UIA), Argentina</strong></td>
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<tr>
<td><strong>Freight Transport Association, United Kingdom</strong></td>
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<td><strong>National Industrial Transportation League, USA</strong></td>
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<td><strong>Union of African Shippers’ Councils</strong></td>
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<tr>
<td>Includes Shippers’ Councils from: Angola, Benin, Burkina Faso, Cameroun, Congo, Cote d’Ivoire, Democratic Republic of Congo, Gabon, Ghana, Mali, Niger, Nigeria, Senegal, Togo, Guinea Conakry, Equatorial Guinea</td>
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<tr>
<td>Affiliated Shippers’ Councils shortly to join UASC South Africa, Kenya</td>
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