

## MSC's Diego Aponte warns of price dumping risks as container shipping recovery fizzles out

*Exclusive: The president and chief executive of MSC Group is urging antitrust authorities to monitor the behaviour of state-backed carriers to ensure they do not buy their way into new trades through excessive rate cuts*

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State-supported container lines may distort the market through unfair pricing practices, says MSC as it draws attention to the ambitious expansion plans of certain carriers



DIEGO APONTE SAYS MSC IS NOT AFRAID OF COMPETITION AS LONG AS IT IS NOT DISTORTED BY PRICE DUMPING.

DIEGO Aponte is urging competition authorities in Europe and the US to monitor the behaviour of state-backed container lines amid fears that they may buy their way into markets through price dumping.

The [president and chief executive of the Mediterranean Shipping Co group](#), which operates the world's second-largest containership fleet, blames the industry's disappointing financial results in the first quarter of 2018 partly on cheap freight rates charged by some carriers as they expanded into new trade lanes.

Mr Aponte acknowledges that this was not the only reason for poor start to the year, which saw major carriers such as [Maersk](#) and [CMA CGM](#) slide into the red, but appears to have been a contributory factor.

MSC does not publish financial figures, but Mr Aponte revealed in an interview with Lloyd's List that the privately-owned group's container line operations also lost money on a net basis in the opening three months as the market failed to live up to expectations. However, it was in the black in terms of earnings before interest, depreciation and amortisation.

The first quarter "was bad for everyone" because of a combination of factors, according to Mr Aponte.

The industry overestimated trade growth which, in turn, persuaded carriers to open up more services. That created a shortage of tonnage that has led to a sharp rise in charter rates.

Adding to the industry's woes was the steep rise in oil prices, which has forced lines to introduce [emergency bunker surcharges](#).

Against that difficult backdrop, a number of government-backed enterprises dumped prices as they expanded their reach, compounding an already weak freight rate environment, said Mr Aponte.

Three carriers in particular that benefit from state aid appear to be intent on growing their market share.

China's Cosco Shipping is close to finalising the takeover of OOCL, while South Korea's [Hyundai Merchant Marine](#), and [Taiwan's Yang Ming](#) are embarking on ambitious newbuilding programmes.

Cosco has placed orders for a dozen 23,000 teu units plus eight of 14,000 teu, while Yang Ming has also expressed interest in 20,000 teu-class tonnage, even though both carriers are regarded as financially vulnerable.

But with state support, certain players can distort the market, said Mr Aponte.

Antitrust authorities around the world should stop obsessing about whether container lines are colluding with each other to raise prices, and instead turn their attention to other equally damaging actions, he continued.

Regulators "have scrutinised our industry and never found anything because nothing has ever happened and there's no suggestion the future will be any different", said Mr Aponte of the numerous antitrust investigations into price fixing charges over the years.

"And yet you have certain state-backed enterprises that have the capacity to lose as much as they wish, and nobody says anything."

Mr Aponte conceded that for the time being, actions by subsidised lines were limited to certain trade lanes and not yet of too much concern. But given their expansion plans through newbuildings or acquisitions, "it is something we have to watch out for", he warned.

“We are not afraid of competition,” he stressed, “but it is important that we are able to compete with equal weapons, and are not caught up in a situation where a private enterprise such as MSC finds itself up against a state-sponsored agenda.

“Today there is no armour [for a European line] when it comes to anti-dumping policies.”

Mr Aponte noted the tough action taken by the US to protect some of its industries against price dumping, and urged antitrust authorities in Europe and elsewhere in the world to be prepared to take an equally robust approach.

“As a European carrier, we cannot fight against a state-backed line that can afford to lose millions of dollars a year in pursuit of the political agenda of its government,” Mr Aponte continued.

The world’s top three container lines are all European, although Cosco will soon overtake CMA CGM for the third slot once it completes the takeover of OOCL for which it is paying \$6.3bn.

Mr Aponte said he had not yet raised the matter of unfair pricing directly with the authorities in Brussels, but would do if necessary.

He also questioned why competition bodies tolerated the Organisation of the Petroleum Exporting Countries’ cartel that had the power to cause such economic hardship for both shipping and many other industries around the world.

High fuel prices push up inflation, weaken world trade, and damage the global economy, he pointed out.

The latest fuel rises have forced lines such as [MSC to impose surcharges](#) on their customers who are already complaining.

Yet carriers cannot afford to absorb such price rises on their own, said Mr Aponte, the son of [MSC founder and executive chairman Gianluigi Aponte](#).

The container shipping industry is not making adequate returns compared with the billions of dollars invested in ships, containers, reefer equipment, and new technologies, said Mr Aponte as he called on competition regulators to focus on the twin threats to a healthy and sustainable container shipping industry of the powerful Opec cartel and pricing practices of competitors that benefit from state aid.