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MISLEADING CLAIMS ON THE EXPECTED BLOCK EXEMPTION ORDER FOR VESSEL SHARING AGREEMENTS

KUALA LUMPUR, 29 SEPTEMBER 2025 – The Malaysia Competition Commission (MyCC) take notes of the recent concerns raised regarding shipping services in Sabah. However, MyCC firmly denies the allegations that the block exemption for the Vessel Sharing Agreement (VSA) has enabled West Malaysian shipping lines and operators to collude, fix prices or monopolise domestic shipping between Sabah and Peninsular Malaysia.

The Competition Act 2010 strictly prohibits anti-competitive agreements, including price-fixing and abuse of dominant position. These prohibitions apply universally, irrespective of a company's place of business or a vessel's registration, whenever commercial activities have an effect on the Malaysian market.

Exemptions under the Competition Act 2010 are narrowly defined and time-limited. They must demonstrate clear, verifiable benefits to consumers and the economy that outweigh any potential harm. Such exemptions are not blanket permissions to collude or fix prices beyond what is strictly necessary for the exempted conduct.

Since 2014, MyCC has granted block exemptions for liner shipping agreements covering both the Voluntary Discussion Agreement (VDA) and the VSA. However, effective 7 July 2019, the exemption for VDAs was removed following the global termination of VDAs. The most recent block exemption, covering VSAs, was gazetted on 7 July 2022 and remains in force until 6 July 2025.

A VSA is a collaboration between liner shipping operators strictly limited to operational matters such as coordinating vessel services or exchanging vessel space. The exemption explicitly prohibits any discussion or agreement on freight charges or pricing.

There is no evidence linking the VSA exemption to higher shipping costs. The increase in shipping rates observed during the year 2021 until 2022 was largely due to global factors, including COVID-19 supply chain disruptions, post-pandemic vessel shortages, surging bunker fuel prices due to geopolitical tensions and major infrastructure upgrades, all of which affected shipping costs worldwide.

Analysis by MyCC shows that the shipping market of Sabah remains relatively small, with container throughput at Sabah ports accounting for only 1.7% of Malaysia's total throughput between 2015 and 2024. In 2023, Sabah ports recorded 817 container ship calls, of which 74.9% were domestic feeder vessels, underscoring the importance of local shipping companies in sustaining services in Sabah.

Furthermore, the Federation of Malaysian Freight Forwarders (FMFF), whose membership includes the Sabah Freight Forwarders and Logistics Association, supported the continuation of the VSA exemption in their formal submission dated 6 August 2025.

MyCC conducted a public consultation between 27 May and 2 July 2025, later extended via the UPC platform of Malaysia Productivity Corporation from 17 until 30 July 2025 to gather additional stakeholder feedback. After the closing of these two consultations, MyCC did not receive any other submissions from Sabah stakeholders apart from the one submitted through FMFF.

"MyCC remains vigilant and committed to working closely with the Ministry of Transport, port authorities and the Sabah State Government to ensure a level playing field in the shipping industry and safeguard consumer welfare. As a trading nation, shipping is the lifeline of economy and MyCC will not hesitate to act if there is evidence of collusion or abuse of dominance in the market," said Datuk Haji Iskandar Ismail, Chief Executive Officer of MyCC.

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About the Malaysia Competition Commission (MyCC)

Established in June 2011, MyCC is an independent body responsible for enforcing the Competition Act 2010, which was implemented to create healthy competition that would, in turn, stimulate productivity and innovation, thus creating wider choices of products for consumers with better quality and reasonable prices.

The Act 712 applies to all commercial activities undertaken within and outside of Malaysia that affect competition in the Malaysian market. It provides a regulatory framework including powers to investigate, adjudicate and impose penalties on the perpetrators of the competition laws.

MyCC celebrated its 14th anniversary on 1 April 2025 and to date, MyCC has taken decisive action against more than 200 companies relating to cartels and abuse of dominant positions, resulting in a cumulative penalty of more than RM667 million. MyCC's current priorities include amending the Act to introduce the merger control regime, actively targeting bid rigging cartels and cartels in the food and agriculture sectors, as well as focusing on the challenges brought by the digital economy to competition law and policy. For more information on the Act and MyCC activities, log on to www.mycc.gov.my.