

FMC Defers Approval of Maersk-Hapag Cooperation for Competitive Review



Maersk will provide 60 percent of the capacity to the new cooperation (Maersk)

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The U.S. Federal Maritime Commission on Friday, July 12, reported that it is deferring its review and approval of the proposed Gemini Cooperation between Maersk and Hapag-Lloyd. While the commission said it requires additional information on the “potential competitive impacts of the arrangement,” both Maersk and Hapag-Lloyd responded saying it is “fairly standard” from the FMC noting the cooperation is not due to begin till February 2025.

“The Commission has determined that the Gemini Cooperative Agreement as submitted lacks sufficient detail to allow for a complete analysis of its potential competitive impacts,” the FMC wrote in its statement. It is invoking its Request for

Additional Information which defers the approval that otherwise would have happened 45 days after the filing. The commission will also now conduct a 15-day public comment period as well as awaiting a revised filing that responds to the specific points raised by the FMC.

Maersk and Hapag Lloyd, the second and fifth largest container carriers by capacity, announced in January their intent to launch the new cooperation which is set to shake up the industry alliances. Maersk had previously announced it and MSC Mediterranean Shipping Company would be ending their cooperation agreement known as 2M while Hapag-Lloyd is withdrawing from THE Alliance as of the end of January 2025.

The two companies said they would pool around 290 vessels with a combined capacity of 3.4 million TEU. Maersk will deploy 60 percent and Hapag 40 percent of the combined capacity. They said it would improve schedule reliability with their goal set at 90 percent as well as improve transit times in many major port-to-port corridors and provide better access to some of the world's best connected ocean hubs.

The cooperation agreements between carriers in general became a point of contention during the pandemic and led to efforts in the U.S. and elsewhere to increase scrutiny of the business practices. Critics pointed out that the industry had consolidated to where more than 80 percent of capacity was controlled by a handful of carriers while the World Shipping Council argued on behalf of its members that it provides better access by sharing capacity and routes. They responded that carriers still set pricing and competitively negotiated freight contracts.

"We do not anticipate any impact to the Gemini network and look forward to continuing to work with the FMC," both Maersk and Hapag told The Maritime Executive after today's FMC announcement.

The FMC notes the agreement would allow Maersk and Hapag to share vessels in trades between the United States and Asia, the Middle East, and Europe. The companies filed with the FMC on May 31, 2024, and the application would have gone effective in 45 days (July 15) if the FMC did not launch the request for additional details.

"Reconsideration of the agreement will not commence until the commission has received a fully compliant response to its inquiry," it writes in the announcement. Once the response is deemed to be complete, the FMC will have a further 45 days for review before the filing becomes effective.