



LINER TRADES 2013

INTRODUCTORY REMARKS

This year's paper covered a wide range of subjects taken from the syllabus and also included a number of current issues facing liner shipping in its current phase of over-tonnage and resulting stresses. The questions presented an ideal opportunity for students to display a good understanding of the challenges facing the liner industry as well as covering tried and tested textbook areas such as practitioners and commercial practice.

Given this background the overall proportion of passes was low and highlighted that many students, while covering textbook answers reasonably well, lost many marks on practical areas of liner shipping which was of concern. It is important that students learn beyond the text book and more so, given the widely available tools for this via numerous publications and the internet. Once again many students failed to read the question carefully and rushed into answers without thinking through what was required. Often answers were lengthy but failed to cover the key points of the question. Those students who did pass, produced some excellent answers.

1. The introduction of larger scale container ships of 10,000 teus and above has had a significant effect on liner trades profitability and resulted in many smaller trades experiencing supply/demand challenges. Using a trade of your choice, explain how this has developed and separately outline some of the actions carriers have taken to minimise the effect of excess capacity.

The question posed one of the key challenges in today's liner shipping world given the large number of 10,000+ teu vessels being deployed in the main East–West Trades. The question did ask specifically for the students to write about a smaller trade which had been impacted by the cascading of larger displaced tonnage into these trades and generally what actions carriers are taking to combat this.

The question was answered poorly as there was a general lack of understanding of what was required. Many students launched into a lengthy history of containerisation and how effective the results were from economies of scale when this was not asked for. Students often covered areas on how to improve utilisations with hub and spoke [very common] and how to secure more cargo [which is often counter productive as the outcome is just to drive rates down]. The key areas [costs] to cover were specifically, slow steaming [only a handful of students mentioned this], alliances and joint ventures and notably multiple slot swaps, void sailings, rollover pools, lay ups and ultimately recycling [scrapping]. There were a few well written answers which captured the important points but this question scored relatively low marks overall.

2. Draw one of the following types of ship and highlight the main features of the vessel:

- (a) Feeder Containership
- (b) Pure Car Carrier
- (c) Multipurpose Vessel

Using the world map provided, describe two trade routes where the chosen vessel would operate and the main types of cargo carried.

This question should have been straightforward for students and it was the most popular question answered but many marks were lost due to extremely poor drawings and poor maps of routes, including well known ports placed incorrectly, resulting in a disappointing overall pass level. There were a lot of marks available for a good vessel drawing but many lacked even the basic measurements required as well as some decent scale. As this style of question is often asked, students should spend time learning and practising drawing vessels and learning basic measurements in the layout. Those students who were well prepared produced some excellent drawings with all the right requirements and scored well.

Trade routes [map] and the description of these was again poorly covered with some students showing a lack of knowledge of the key trade routes for all vessel types. This highlighted a lack of knowledge beyond students' own regional boundaries [which was quite visible] and how important it is to research and understand global liner routes. Overall very disappointing given this is a key area of liner shipping and many marks were lost as a result.

3. Most liner services tend to operate on the principle of a dominant leg and non-dominant leg. These have straightforward implications for the supply of containers. There are, however, trades which are dominant in both directions due to market structure which can present significant challenges for container supply. Use an example of such a trade where the traditional dominant leg is full using largely 40ft dry container cargo whilst the return non-dominant leg has a very high demand for seasonal refrigerated cargo, as well as heavy base minerals. Discuss the implications and challenges of container provision and how these can be overcome.

This was the least popular question and from some the answers given, it was clear that there was a lack of understanding of how to address the container logistics challenges which operators face with many students mainly focusing on only leasing as a solution. Whilst this is one aspect it was not the key item in what is a challenge on a number of trades.

Key areas in such a scenario were the selection of a good trade example [Asia – ANZ, Asia – ECSA, Europe – ECSA, and Europe – South Africa to name a few]. Solutions in no particular order of importance were, equipment substitution [both ways], maximising reefer in the dominant leg [to help supply], cutting low value cargo to allow selective imbalance, leasing, optimising flows and the use of other trades to flex equipment [difficult on long thin trades which are reefer dominant], and container pools and cabotage [also difficult in such trades].

There were no easy solutions but those students who passed this question did come up with some good answers and ideas having thought through the process and also came up with some elegant solutions.



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4. Choose any two of the following cargoes and identify at least two major trade routes on which they are shipped including the main loading and discharging ports:

- (a) Frozen Poultry
- (b) Wine
- (c) Fresh Fruit
- (d) Coffee
- (e) Scrap Metal

Explain the types of container needed and any special requirements and/or precautions taken for the protection of the cargo.

This question had a large number of attempts with an above-average proportion of passes but still many students did not read the question and lost valuable marks. The question asked for two products and two trade lanes for each cargo and this was often missed.

Marks were also lost due to some unusual trade lane selections as well as poor cargo knowledge such as poultry moving in insulated containers at 0 degrees Celsius and a generally poor knowledge of the reefer container and how it is used, which is concerning considering the world trade in reefer cargo is over 6 million teus and touches all markets. Other examples were a poor understanding of the movement of coffee and its requirements as well as the transport of wine. For wine rarely were all three modes of container mentioned such as tank containers, dry vans with cases of wine and dry containers fitted with flexitanks.

This question, like Q2, should have been relatively easy for students and again comes back to having some good trade knowledge as well as understanding the key commodities moving in containers globally. Some excellent answers were however given with good knowledge and understanding, but unfortunately not enough for what should be a high scoring question.

5. You are the owner of a small feeder container and multipurpose port on a major trade lane with good hinterland and other smaller port connections and land available for expansion. However, you have draught and crane limitations. Suggest ways in which you could improve the port's attractiveness to capture a greater share of cargo moving on the trade and support your answer with a port plan layout diagram.

This question was one of the least popular ones answered and perhaps rightly so as it is a subject with which all students might not be familiar. A number of students produced some excellent port diagrams showing how the port could develop however there were many poorly drawn diagrams. Much like Q2 this is such an important area where extra marks can accrue from a well planned drawing / diagram / map etc.

There were some good passes on a very wide subject where many items mentioned could pick up marks. The key areas to cover were:

- Engaging with existing port practitioners and potential users to devise a port master plan for development.
- Investment plan for increasing berth lengths and dredging for larger capacity vessels.
- Investment plan for increasing plug points [reefer cargo] gantry cranes, reach stackers etc.
- Promoting the use of port with increased stacking area to promote hub for transshipment cargo into other feeder services.
- Discussion with the country railway network /customs internally and over country borders to promote greater use and attractiveness of transit cargoes through the port to compete with other regional ports.

6. The liner bill of lading is an important part of the contract of carriage in international trade. Describe four of the following six clauses and their importance to the carrier:

- (a) The Scope of Carriage
- (b) Lien
- (c) Transshipment
- (d) Defences and Limits of Liability
- (e) Clause Paramount
- (f) Return of Containers

This was one of the least popular questions yet those who answered it generally did well. Much time was lost by some students giving a lengthy summary of the three main functions of the bill of lading and whilst such descriptions were accurate they scored no marks as this was not required.

The question specifically asked for a description of four bill of lading clauses and their importance to the carrier. It is important again to read fully and understand the clauses on the reverse of the bill of lading. Those that followed the question and understood the clauses answered this question well with many at distinction level.



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7. The Panama Canal will be widened to allow significantly larger containerhips to transit it from 2015. What will be the implications of this for the existing Panamax fleet and what impact will this have on future trading patterns?

This was a popular question for students but was the most poorly answered in the exam much like Q1 where students simply failed to address the key points of the question being the impact of the expansion of the Panama Canal on the Panamax fleet post 2015 and on trading patterns. This was disappointing given the sheer magnitude of the change and that it is a subject that has been widely covered in popular shipping press and publications.

It was important to describe the current and post 2015 Panama Canal landscape [existing = 290M LOA / 32.3M beam and 12 meter draft whilst new canal = 366M LOA / 49M beam and 15.2 meter draft]. This will allow container vessels upwards of 10,000 teus to transit the new widened canal. References to Suez Canal and Kiel Canal were not relevant and also bulk ships and tankers were also not relevant to this question. Also the key current container trade of Far East to US East Coast was rarely mentioned and yet it has over 16 current Panamax strings operating with over 160 vessels and 750,000 teus of ship capacity, and this was a key part of the question i.e. what will happen to this capacity? Other Panamax trades such as Europe – WC South America and Europe – US West Coast could also be mentioned with other significant capacity. A number of students incorrectly thought that the Asia-Europe trade would move via the Panama Canal [Hong Kong via Suez to Rotterdam is 9,748 NM whilst a routing via Panama would be 14,036 NM, a very costly product change given the price of bunkers!]

An opening scene-setting such as the above would have scored valuable points. Students rarely covered the key theme of the question with answers such as economies of scale and hub and spoke being the main topics. The key points to cover were that with the wider canal this will create a huge surplus of Panamax tonnage. Some will re-deploy to other trades but many older units will likely be either laid up or scrapped, the latter more likely as many this year are already being re-cycled at good prices. The trade pattern may change to an extent, with opportunities to serve WC South America and the Caribbean etc, differently, and there were some good theories about a return to round the world services but the real impact is on the current fleet and the scale of upsize we will see on existing services.

8. Define and comment on any four of the following abbreviations and their role within the liner industry:

- (a) FONASBA
- (b) BIMCO
- (c) UNCTAD
- (d) ICC
- (e) IACS
- (f) NVOCC

This was a popular question and was generally well answered with the highest pass mark in the exam. As a 'textbook' question it is an area that should be well answered as students should have a good understanding of the importance of key practitioners in the liner business. Most students did reasonably well on this question although some students seem to have left it until last and as a result ran out of time and lost valuable points.

Those students that scored with high marks had clearly spent time researching these organisations all of which have excellent websites with a lot of detail covering what they do and with some good background free publications and reports. There were some excellent answers in this respect from those students who had clearly put in the research time to understand this aspect of the business.