



ICS Examiners Report Template

Liner Trades 2011

Overall Comments

This year's paper covered a wide range of subjects taken from the broad spectrum of the syllabus of Liner Trades which included a question dedicated to use of IT systems / technology within the shipping industry for the first time. Once again this question highlighted the point for candidates to study all parts of the syllabus. The results of this year's examination continue to show that the candidates who struggled were mainly the Foundation Diploma ones and really do have to apply themselves to study, completing previous examination papers and gaining some "Real Knowledge" of the Liner Trades Business.

Unfortunately candidates continue to misread the questions therefore in some cases obtained zero marks for 30 minutes work or more in the examination room. No question is set to catch the candidate out but contains sufficient information to place them on the "right track" as we wish as many candidates to pass as possible.

Question One

The question set required candidates to discuss the different types of vessels found in Liner Trades such as container ships, Ro-Ro vessels, Pure Car Carriers, Car & Truck Carriers, Barge Carrying Vessels, Refrigerated Cargo Ships, specialised Carriers such as Submersibles & Side-Loaders and Conventional (Break-Bulk) vessels. Most candidates did not discuss more than four vessels in any detail and continued to include a "Feeder Container Vessel" even though they had already discussed container vessels in their essay. A container ship is a container ship whether it is 18,000 TEU or 800 TEU for this purpose of this question.

All candidates should have noted that specific instructions were given for **one of the vessels to be drawn** and **clearly identify on the drawing ship's measurements** associated with such a vessel which **must also include references to the different tonnages & cargo measurements**. This is where they failed to follow through their essay and thereby only obtain marks between 1 and 12 depending on type of vessels mentioned. Those who wisely chose which vessel to draw were able to clearly show ship's measurements such as Length Overall, Beam, Moulded Depth, Draft and Air Draft. Tonnages were seldom mentioned correctly and should have included Light Displacement, Total Displacement, Pseudo Tonnage, Gross Tonnage & Net Tonnage plus other measurements such as Deadweight Cargo Capacity (DWCC) & Deadweight All Told (DWAT).

Many candidates decided to give a history of shipping from 19th century sailing ships to the modern day and then went into describing in some detail the nature & structure of Liner Trades. Obviously this approach did not gain any marks and when combined with very poor drawings it is not surprising that low marks were obtained.

Question Two

This question should have been a gift to candidates as the first part purely requested for Incoterm abbreviations & full title which obviously also meant that a short description should follow explaining the term. This was achieved on most occasions with candidates throwing in their own terms such as DAS (Delivery at Ship), FOR (Free on Rail), DAQ (Delivery at Quay) and FAQ (Free alongside ship). Obviously these terms do not exist under Incoterms 2000.

Some made strong comments that previous terms issued in 2000 and 1990 were no longer in existence and the question should have referred to Incoterms 2010. However as we know the Seller/Buyer can use either 1990/2000 or 2010 terms or amend same by sales contract/agreement as Incoterms are only guidelines to the various parties. The question was specifically written to refer to Incoterms 2000 for two reasons. The first reason was to ensure that all candidates were given Incoterms which everyone would have been familiar with and had been in place for some time especially as Incoterms 2010 only came into force on the 1st January 2011. Those who referred to the new Incoterms DAP or DAT were not penalised by including these but missed marks for not identifying DEQ, DES, DDP or DDU terms. The second reason was to ensure candidates read the question and discussed Incoterms 2000 as Sellers/Buyers continue to use these terms and therefore when quoting, preparing shipping instructions, issuing bills of lading and completing sales contracts the Agent/shipping company must ensure the paperwork is raised as per the Incoterms quoted rather than assume Incoterms 2010 apply.

The second part of the question was a problem for nearly every candidate as they were unable to identify which terms were best suited for containerised cargo and explain why. Candidates were awarded marks for identifying the right terms, however few of them noted the key point regarding the ship's rail significance.

The best suited terms are EXW, FCA, CPT, CIP, DAF, DDU & DDP. In virtually all cases, for containerised cargo, the above terms (those for any mode of transport) should be used as the container is delivered to the Carrier (or other party nominated) as the ship's rail has no relevant meaning for this type of transport.

The Incoterms for Maritime and Inland Waterway Transport only are FAS, FOB, CFR, CIF, DES & DEQ. The critical point in these terms is the ship's rail – this obviously has no meaning when the goods are moved, for example, by air or in a container and could lead to difficulties in allocating responsibilities between the Seller & Buyer therefore unsuitable for containerised cargo.

Question Three

This question was fairly straightforward which required an organisation chart and clear identification of the departments with a short explanation of each one. The departments should have included Management & Policy, Ship Management & Operating Services, Acquisition of vessels, Crewing department, Marine & Engineering Superintendent, ISM Compliance department, Container Vessel Planning, Legal & Claims, Insurance, Documentation & Manifest department, Logistics, Accounting and Commercial Departments.

Candidates who mentioned most of the above departments gained good marks however some failed to mention more than 5 or described local port agent's structure and their port related activities which was not required.

Question Four

As mentioned in the opening comments of this report this question appeared for the first time in the Liner Trades Examination and proved to be the most popular and should have allowed candidates to be fairly free to discuss IT systems in their own shipping companies and with third party systems used in connection with the vessel and cargoes.

The candidate should be aware that computers have given greater flexibility and the ability to process high volumes of information at all levels of the Liner Industry. This is seen in enquiries, quotations, booking, submitting shipping instructions, preparing customs documents and clearance of goods electronically (no need for paperwork), port community computer systems, cargo tracing systems, container control systems, document access across companies & countries, the possibility of paperless trading & electronic bills of lading, compliance with local regulations and the benefits of eUCP using Bolero Platform for electronic presentation of documents under a documentary credit (First reported use by this method December 2010). For the Carrier the benefits of IT systems are immense especially given the high complexity of services and inter-connecting trades the ability to produce, submit and amend a whole range of manifests, declarations, planning lists, bay plans, stowage lists and other documents is essential. The benefits to Shippers, Consignees and Government Bodies should have been fairly easy to discuss.

However some candidates do go astray and fail to answer the question set because they either concentrate on one area, such as discussing container tracking over three pages rather than giving a 6 line paragraph or believe that before the Year 2001 major shipping companies were operating without IT systems and purely using typewriters, telex & fax machines. Though this may be true for some countries, however for the majority of companies involved in shipping, there were adequate & reliable IT systems/software available since the late 1980's.

Question Five

This question required a straightforward list of operating costs such as depreciation costs of vessels & equipment, Bunkers, Crew Wages, Repair & Maintenance costs and Insurance costs to name a few. Most candidates answered this part but failed to give any revenue sources which included Freight, Surcharges such as CAF BAF, Port Surcharges, Special Freight rates for project cargo/O.O.G Hazardous cargo, Terminal Handling Charge, Container Demurrage & Quay Rent and documentation charges to name a few.

Some candidates also discussed Freight tariffs in great detail (Alpha, Beta, Gamma, Delta, Epsilon rates) which was not required or provided pages of writing to promote the benefits of FAK rates, Historical Conference discussions and cost reduction solutions such as selling vessels or withdrawing from shipping altogether and opening another business in road transport for instance. Those who went down this route wasted time and did not gain marks as it did not answer the question set.

Question Six

This question was the least popular in this year's paper and not all candidates managed to recognise this question was about the formal agency agreement contract rather than physical port operations of the local port agent. Unlike a tramp agency which may be for a single call and with the appointment being a very simple fax message or e-mail, a liner agency is usually the subject of a written contract signed by both parties. Even "in-house" Agents usually have some form of contract because the operating company and the agency company are separate legal entities and there are good legal and often financial and taxation reasons for defining the individual responsibilities.

Such contracts can vary widely hence why the candidate was directed towards the FONASBA agreement as this is within the course guide where it states "Understand the form of agreement used between liner operators and independent agencies (FONASBA Standard Liner & General Agency Agreement)". Therefore most candidates would be aware of this specific agreement and, if study & revision was done fully, then this question would be fairly easy to gain good marks. For those who did not study the agreement then they may have been familiar with general agent agreements and the main contract areas would be similar to those mentioned below.

The candidate should have commented that the main contract areas within the agreement are duties of an Agent, Marketing & Sales, Port Agency, Container and Ro/Ro Traffic, General Agency, Accounting & Finance, Principals Duties, Remuneration, Duration and Jurisdiction. A short explanation of each contract area would gain the extra marks required for a good pass mark.

Question Seven

This question covered a very practical aspect of inspecting containers before loading cargo into the same. Anyone involved in the day-to-day activities of a shipping company would know why the container unit has to be checked for holes, rust, damage, checking CSC plate, checking doors & locking gear, taint free and no infestation etc. Therefore it is surprising that candidates discussed booking systems, how hazardous cargo is loaded on vessel, the whole shipment process from quotation to empty container being returned once consignee had unloaded cargo and discussed the type of packing individual items should be wrapped in before loading in to the container. Any candidate who focused the whole of their essay on these points failed to gain many marks, if any, especially in regards to the packaging of the cargo itself.

This was not a 'trick question' and candidates simply had to recognise that this question is from a practical point of view i.e. You are the Packer/Shipper and you have an empty container which comes into your warehouse. What checks should you make to the physical container before accepting the empty unit or rejecting same? If you are the receiver, what should you check before unloading or whilst unloading?

An easy question where candidates should have gained good marks swiftly and moved on to the next question however they tended to answer the question in their minds rather than the question on the exam paper. There are various publications and DVD's available regarding the subject of loading containers, the most informative and straightforward being the DVD entitled "Any fool can stuff a container" which is produced by the UK P&I Club.

Question Eight

The question asked for the candidate to describe the functions and responsibilities of the Port & Terminal Operator in ensuring the smooth handling and dispatch of vessels. This was not a question about local port agency structure & duties nor about the need for the port to cater for the need of tankers and other special types of vessel. Candidates who discussed these in great detail did not gain many marks. However many candidates did recognise the question set and described the main organisation which would include the role of Terminal Manager, Stevedore Manager, Health & Safety Officer, Commercial Manager, Technical & Engineering Manager, Stevedores, Planners and Tally Clerks. Candidates also highlighted the need for equipment such as Gantry Cranes, Spreaders, Fork-Lift, Straddle Carriers, Terminal Tractors and Warehousing facilities amongst equipment requirements.