



ICS Examiners Report

Economics of Sea Transport and International Trade 2011

Overall Comments

Once again it is very pleasing to note that the quality and content of Economics of Sea Transport and International Trade answers continues to improve. Candidates' answers reflect an impressive awareness of current shipping news and events. This situation can only be attributed to candidates' appreciation of the critical role that Economics of Sea Transport plays in the day to day work and life of a successful Shipbroker. The increase of diagrams and graphs to support views even where they are not called for, is yet another positive growth element.

Question One

Overall, this question was very well answered by the majority of candidates. It required candidates to consider and discuss the centrality and importance of crude oil in global economic affairs and its impact on the fragile economic recovery process and the shipping industry. A knowledge of the economic recovery process and the specific impact of increasing crude oil prices on the recovery, making reference to the derived demand of shipping. Mention of the high cost of production with resultant low consumption and purchasing power, and their negative impact on growth. Impressive was the fact that most candidates quoted current crude oil prices and suggested a sustainable price level beyond which the recovery could be derailed.

Question Two

A very popular question and very well answered. This question was about privatisation in general and port privatisation/commercialisation in particular. It required candidates to evaluate port performance under the Anglo – Saxon or Peninsular doctrine, which doctrine is akin to privatisation, making reference to a port or ports known to them.

Question Three

This question was about Elasticity of Supply and Demand and required students to define the concept of Elasticity, produce basic diagrams of Supply and Demand with accompanying explanations and Owners' response being based on potential profitability, next employment, freight rate and current and future commitments. Candidates that scored highly produced good diagrams with sound explanations.

Question Four

This was a very popular question given the state of the world economy and its impact on the shipping industry. Candidates were required to discuss the current economic situation in the light of a weakening dollar in particular and other currencies in general, an explanation of exchange rates, their behaviour and the combined effect of all of the above on the financial results of shipping companies. Candidates also needed to mention the impact of the above on cost of inputs such as crude oil etc, operations and overall earnings.

Question Five

This question called for arguments in defence of conference lines outside the EU and required candidates to identify the regions where antitrust exemptions exist. Candidates who identified regions in the world where conference exist and used the general principles in defence of conferences using the prevailing conditions to support their arguments scored highly. Not a popular question!

Question Six

This was a very popular question and very well answered! The question called for the identification and comment on the demand factors which are derived demand based, such as the state of the world economy that influences a Lay-up decision and the costs incurred when a vessel is laid up, such as capital, operational and maintenance.

Question Seven

This question required candidates to discuss the structure of the world bulk trade, to provide an overall global picture of the trade in thermal coal, iron ore, grain and bauxite with comments on current and future trading and growth patterns, including elements such as main export and import destinations. This question was not about the market characteristics of the Dry Bulk Market.

Question Eight

This question was very well answered by most candidates. It required the definition and explanation of 'Opportunity Cost' as an economic concept and its application to the shipping industry. Candidates were free to apply this fundamental economic concept to any sector of the shipping industry. The response was impressive. Candidates' application of the concept included the following shipping sectors: Ship Owner, Port Agent, Ship Yard, Charterers and Commodity Traders.