



## Examiners' Report

### November 2016

### Economics of Sea Transport

#### General Comments

Another good set of results for the November 2016 Economics of Sea Transport and International trade examinations. Most students produced some very well structured answers supported by appropriate graphs/ diagrams, maps and current shipping industry, practice, trends and news.

The majority of essays had an introduction, main body consisting of distinct paragraphs and a conclusion, which is very encouraging.

It is pleasing to report that an increasing number of students continue to jot down main points at the start of their essays, a practice that has accompanied the continued improvement in quality, length and depth of essays in the last couple of years .

Again, the continued use of graphs and maps to support answers was evident even where there was no specific requirement to do so.

Students that understood key words such as: examine, analyse, discuss and identify once again, secured high marks.

#### Question 1

**Explain how foreign currency rates between countries are determined. Use a graph to support your answer**

This question required students to explain with the aid of a graph, how foreign currency rates between countries are determined. The best answers explained what currency rates are and how individual nation's productivity and cost competitiveness determined the demand for their products on the world market and the demand for their currencies. That the Exchange rate is the price of a nation's currency. Most graphs that accompanied the narrative were simple and straight forward. Students who did not use a graph or diagram in support of their answers failed to secure maximum marks. Please note that when a graph or diagram is asked for, marks are allocated for that purpose.

#### Question 2

**Assess the extent to which the tanker market represents a market operating under perfectly competitive conditions.**

This was a popular and well answered question. Students that identified all the five elements that characterise a market operating under perfectly competitive conditions and gave equal weight to all the five characteristics, with relevant examples from industry scored good marks. Most students clearly understood what the question was about and provided good answers.



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#### Question 3

**Examine the cost structure of a shipping company and comment on those costs that management can control.**

This was a very popular question and well answered by the majority of students. The best answers divided the costs into their three main categories ie capital, direct operating costs and voyage cost and then went to explain in detail which costs management is able to exercise control over and why. It was heartening to read very detailed answers that demonstrated the growing professionalism of some our students. Well done to all.

#### Question 4

**Explain the differences between intra-industry and inter-industry trade flows. To what extent can these flows be explained by economic theories of international trade?**

This question was straight forward and required students to draw the differences between intra and inter-industry trade and to use economic theory to explain the extent to which these trade flows could be explained by economic theories of trade. Students who scored the highest marks used relevant and practical examples to support their answers and were able to draw very clear distinctions between the two trade flows. There were cases, however, where students failed to identify the differences the two trade flows and ended up contradicting themselves.

Questions such as this one require students to exercise great clarity in their definition of concepts and theories. If you do not know the difference between concepts or economic theories, it is clearly impossible for you to write a good balanced essay since the very basis of your argument is flawed.

#### Question 5

**Examine the effects of the imposition of a tariff on an imported commodity. Use a graph to support your answer.**

This question required students to examine the effects of an imposition of a tariff on a n imported commodity with the support of a graph. Those students that did not use a graph in support of their argument failed to secure maximum marks. As mentioned earlier, please remember that if the examiner asks for a graph or diagram, then a mark would have been allocated for that! It was very pleasing to see sound arguments supported by detailed graphs! A good number of students produced some very impressive essays.



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#### Question 6

**Choosing a port known to you, evaluate whether the private or public sector is the most effective way to operate a port.**

This was another popular question with some very good essays. Students were required to choose a port and to evaluate whether the ports' performance good or bad was down to its public or private ownership. The best answers defined the two port philosophies and went on to defend their arguments with management theory and industry specific examples! It is not surprising, therefore, that some of the answers were a pleasure to read! Most students concluded that while ownership was an important factor, the most crucial success factor however, was management competence and ability. Most students wrote balanced essays that drew on the best in their port of choice and others known to them.

#### Question 7

**How has the change in oil production level and locations changed the demand for shipping?  
Use examples to support your answer.**

This question required students to use examples to explain how the change in oil production levels and locations impacted the demand for shipping. Students who had prepared well produced some good answers, drawing on their industry experience. Students were required to make reference to the demand for oil for use in the production of electricity and other industrial uses, shifts in productions, moving trade sources for example, impact on freight rates and the demand for shipping and the low oil prices of the past year.

#### Question 8

**How does the price of bunkers affect freight rates, and therefore the cost of imports? Use a diagram to support your answer.**

One would have thought that this would be a very popular question, but NO! This question required students to explain how the price of bunkers affects freight rates and the cost of imports. A graph was required for this question. The best answers explained why high transport costs behave in the same way as does a tariff, leading to reduced international trade and shipping. Some students argued that high transport costs stifle global trade whereas free trade and low transport costs boost global trade and shipping as well as improving the standard of living of all mankind. Some essays concluded: Low bunker prices, means low transport costs, increased trade and shipping!