



EXAMINER'S REPORT NOVEMBER 2019

LINER TRADES

Q1. Recent times have seen further consolidation of carriers in the deep sea and short sea container trades. There has also been a move from some carriers into the full logistics sector.

Discuss these events and the latest structures that have arisen. Explain whether you would expect this trend to continue and the likely structure over the next five years.

The examiners were looking for a two-part answer. The first part of the answer should provide a clear summary of the most recent consolidation of the top 10 current carriers and the most up to date Alliance structure. Hyundai leaving 2M and joining THEA is a major change. Students should also have covered areas of consolidation of feeder operations Unifeeder / X-Press Lines and large carriers increasing involvement in running their own feeder networks rather than using 3rd party operations. Also, consolidation in either FFW [CEVA] or increasing trucking/rail operations etc.

The second part of the question was more open style with no real right or wrong answer and should allow speculation of whether we will see further consolidation of remaining operators. The real speculation and exciting development are the moves towards full supply chain logistics including offering trade finance etc. Digitisation and ongoing moves to supply a full package will drive the business in the future.

Q2. Choose TWO of the container trade routes listed below and identify the most important ports of call and main commodities carried in both directions. Discuss how services are structured and whether they are 'end to end', 'hub and spoke' or 'pendulum' style services and vessel capacities used. Explain why that structure is favoured for the route. Use the world map provided to support your answer.

- i. **Europe to US East Coast (Transatlantic)**
- ii. **Asia to East Africa**
- iii. **Asia to South Africa**

To answer this question well it is important to use the world map and show clearly the trading route you are answering. A well-drawn and clear map can gain significant marks. Below is a basic summary of the trades mentioned but some much more expansion is required in the answer. It is essential that capacity and products are highlighted.

Europe to US East Coast [Transatlantic] – Steady product offering 19 services with average capacity 4900 TEUs. All water Panama products slightly larger. Eastbound trade USA-EUR flat at 2.1 million TEU whilst Westbound trade growing to 3.5 million TEU at 5.6% due to exchange rate. Anxiety over trade restrictions to M/V sector. Utilisation stable and capacity stable. Trade well represented by all three alliances

Asia to East Africa – 7 services with average capacity of 2400 TEUs however 2 services using old 4200 Panamax. Services all call MBA/DAR, but one calls MOZ ports [MOZEX service]. Not to be confused with Gulf/India services to EAF of which there are 4 [this due to interlocking nature of trade]. Size is 275,000 TEUs import and 60,000 TEUs export [Middle East/India – similar]. Rice, steel products, Chems, plastic, tiles and motor vehicles

Asia to South Africa – 7 services of which two provide 8500-9500 capacity with balance at 4200-3500 Panamax. Total trade is 825,000 TEUs imports and 410,000 TEUs exports. Imports motor vehicle P&A as well as machinery, retail products, tiles, rice. Exports strong mineral exports [chrome/manganese/copper/cobalt etc] as well as growing reefer. Interlocked with Mozambique and Namibia.

Q3. When a carrier enters a new trade lane there are many factors to consider when setting the pricing policy it will apply to this market. Discuss the important determining factors, from both a revenue and cost perspective, that is considered when drafting a liner carriers pricing policy for a new trade.

This is an effective two-part question and important part of syllabus in terms of tariffs and how to correctly price a trade which is a key aspect of liner shipping.

The cost factors to consider whilst you do not have much control over, still must be looked at before framing the new product.

- How many vessels will be required and their size and service speed
- Partnership / VSA size and costing
- Port calls for optimum service offering
- Determining trade size and likely market share to determine a lot of the above
- Bunker ports
- Equipment provision and flow planning challenges

For revenue this is a critical area and due to competition law so compliance is required in order to attempt to determine a tariff that will be acceptable to clients to avoid revenue erosion etc. There are various means to determine this.

- Market research from customers through the carrier's salesforce
- Internet research of other carrier's websites to establish ancillary charges [THC's, Surcharges like CAF/BAF], War Risk, congestion surcharges, special equipment charges
- Market research through customs databases to establish commodities moving and volumes of trade.
- Trade may be reefer heavy that requires different pricing structure.
- As a new entrant care required to balance market share with pricing demand.

Q4. Define and explain any FOUR Incoterms 2010 terms and where the selected terms would be best applied for specific cargo.

Each incoterm needs to be explained in detail highlighting notably the liability between the parties and where best it is practically used. The question was well answered as 2010 Incoterms are well established. From a carrier perspective it is vital that these terms are well understood in today's world of commerce.

Q5. Answer BOTH parts of the question.

- a) Draw a labelled profile and labelled cross section of ONE of the following vessels
 - i. Handysize 1700 TEU container vessel (geared or gearless)
 - ii. 9000 TEU containership
 - iii. 4000-5000 TEU Panamax containership
- b) Describe TWO main trade routes for this vessel, including main types of cargo carried on each route. Use the world map provided to support your answer.

A good drawing of the selected vessel is required including clear lines and measurements. It can only be re-iterated to practice and research this area as high marks are available. The trade routes are extensive for all class of vessels

Handysize – Largely used as feeder vessels on wide variety of trades [Intra-Asia, Med and North Europe and some smaller short haul trades]

9000 TEU Class – Cascaded out from larger trades and used Asia – WAF/SAF and ECSA, Europe to ECSA, Asia-Gulf/India, Asia-USEC. Often high reefer intake so heavily used on high reefer trades

4000-5000 TEU Panamax – These are being extensively used in Intra Asia and numerous trades around the world. They have not had the high scrap levels initially expected post the widening of the Panama Canal.

Q6. Refrigerated cargo represents a growing large volume of containerised freight globally. Select TWO cargo types and their requirements on a trade of your choice. Use examples to support your answer.

Two cargo types can be Fruit all kinds, protein [e.g. chicken], Pharmaceuticals etc. A wide selection is available as reefer is growing and enormous trade sector. Make sure, as with any commodity question, the answer includes details of the cargo, temperature, trade route detail as well as any special treatment etc.

It is important that the answer for each cargo type needs to be expansive showing a thorough knowledge of the trade this moves on and the considerations that go into the carriage. The examiner wants to see realistic cargo flows. For example, the Avocado trade from Peru to Europe or Citrus from Egypt to China. Meat from Europe to Asia. The examples are vast but importantly real volumes / real trade. Also, if conventional / specialised reefer is mentioned as a threat etc this should be taken into consideration.

Q7. Compare and contrast ALL the following types of bills of lading and how each are used differently, depending on the needs of the seller and buyer.

- a) Straight bill of lading
- b) 'To Order' bills of lading
- c) Sea Waybills
- d) Bearer Bills of lading

The examiner is looking for a reasonable summary of each type. Do not discuss points that are not relevant.

Straight bill of lading is a non-negotiable bill of lading. It is used where the goods have been paid for or do not require payment such as donations or gifts. Under this bill of lading, the shipping company will deliver the shipment to its consignee on presentation of identification [similarities with seaway

bill].

To order bill of lading is the one that consignee part of the bill of lading have been completed by writing "to order" only. "To order" means that the bill of lading has been consigned to order of the shipper.

A Seaway Bill of Lading is a document of title used on a trust basis between the Shipper and Importer. This means no Original Bill of Lading is required and goods are automatically authorised for release at destination.

Bearer bill of lading states that delivery will be made to whosoever holds the bill. Such bill may be created explicitly, or it is an order bill that fails to nominate the consignee whether in its original form or through an endorsement in blank. A bearer bill can be negotiated by physical delivery.

Q8. The FONASBA standard liner and general agency agreement provides a good summary of the relationship between the carrier and their agents with duties each have to each other. Define the main terms of the agreement and comment on each of these from the agent's and principal's point of view.

The high-level duties of the agent summarised as Territory representation, sales and marketing, port agency, operations [container equipment management], finance. These duties need to be expanded on in the answer and not just headlines.

Answers should mention a remuneration schedule for inward and outward commission, transshipment commission and agreement on demurrage/detention and other local charges between agent and principal. In some territories D&D can be a significant amount of money so this must be clearly defined.

It is worth reading a copy of this agreement [easily accessed on the internet] as background it provides excellent summary to enable answering the question well.