



ICS Examiners Report

Liner Trades July 2020

It is pleasing to report that this exam achieved one of the highest number of passes in quite some time. There were some really well written papers. Well done to those students who passed.

Q1. 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] Citrus Fruit
- [B] 2nd Hand Motor Vehicles
- [C] Tobacco
- [D] Scrap Metal
- [E] Wine

Explain the types of container needed and any special requirements and/or precautions taken for the protection of your two selected cargoes and containers.

The question allowed students to present a good knowledge of specific commodities moving on several trade lanes. Whilst containers tend to mask the commodity it is very important to know the contents and to ensure best cargo care etc. The question was clear that two commodities were required also two trade lanes per commodity. Generally, most students covered this basic requirement and there were some interesting answers. Below are some examples of what examiners were looking for although the answer needs to be expansive.

Citrus Fruit - Large Southern Hemisphere export and increasingly from Northern Markets such as Morocco, Egypt etc. Fruit types can vary but cargo can move in conventional reefer vessels for specific markets and 40ft reefer containers [this is how fruit is mainly moved] Fruit needs to be shipped at required temperatures and in some markets cold treatment conditions are to be applied.

2nd Hand Vehicles – Globally in many areas compete with car carriers and use 40ft HC containers often with complicated racking systems which can hold 4 cars. Compete with PCC vessels but have advantage in calling at smaller port systems

Tobacco – Large exports from southern hemisphere Brazil, Zimbabwe, Mozambique, Malawi. Also, shipments from India and China. Large importers Europe and USA for manufacture. Generally, 40ft HC are required and fumigation is also required.

Scrap metal - Is a global trade over 100 million tonnes per annum and quite a lot of this moves in containers [20ft GP's mainly]. Large trade into Turkey, China, India and Vietnam from Africa, USA, Europe [USA = 25% of world trade]. Key cargo care aspects are packaging [baled vs. loose the former preferred to avoid container damage], some carriers require plywood lining for protection and care must be taken to accept registered exporters avoiding oil residue [engines] etc.

Wine – Moves on most new world wine routes [ANZ/RSA/USA/Chile] and European exports outbound as well using 20ft and 40ft containers as well as tank containers with increasing use of flexi-tank bags and can move in refrigerated containers for protection of higher value wines. Old world wines can move intra Europe as well as deep sea.

Q2 Answer BOTH parts of the question.

In several trades both large container liner services and those of multi-purpose services [Containers and Bulk] operate in direct competition with each other.

[A] Outline a specific trade of your choice where such services compete against each other and the specific strengths and weaknesses of these two services. Use a world map provided to support your answer.

[B] Outline the likely development of a Multi-Purpose service over the coming years in the context of the sheer weight of competition.

This question attracted a low number of attempts. The comparison is important considering the consolidation of large container carriers vs. more niche focused carriers. Even those that answered did not really have a full grasp of how MP services operate and how important their service offering is.

For part [A] there are numerous trades which have a good co-existence where such services exist. It usually applies where a trade has good volumes of project and OOG cargo in both directions as well as traditional neo bulk [not container friendly]. MP vessels compete well due to their flexibility. Trade examples can be USA-South Africa / Europe – South Africa and West Africa / Europe – Asia and many specialised paper and steel services globally.

Whilst a very open question [part B] suggests the development is likely to be solid and survival as these ships and services have carved a small niche in the market which serves a specific need in the market. No liner container service only can compete due the ship system being flexible and customer service being focused rather than transactional.

Q3. Answer BOTH parts of the question.

Explain the purpose of a Letter of Indemnity and explain why such an indemnity is commercially acceptable and valid compared to indemnity being offered for clean instead of claused bills or pre/post-dated bills etc

This question was attempted by most students and was quite well answered.

Part [A] looked for a suitable wording for an indemnity issued in respect of missing bills of lading is required and should resemble International P&I clubs recommended wording. We were looking for:

- A good understanding of exactly what consequences the carrier is indemnified against.
- The merchant also undertakes to deliver bills if found.
- LOI are not issued by banks, they are undertakings signed by the merchant, which the bank joins in to provide financial security.
- LOI for missing/delayed B/Ls are legitimate commercial documents.

Part [B] should be contrasted with indemnities offered for clean or incorrectly dated bills which are in effect conspiracies to defraud and as such unenforceable in law.

Q4. Answer ALL parts of the question

- a) Draw a profile and cross-section of one of the following types of vessels
- b) Label the significant parts of your chosen vessel.
- c) Give details of two trade routes where the chosen vessel would operate, and the main types of cargo carried. Use the world map provided to support your answer.

- a. 2000-3000 Teu Containership
- b. Roll on Roll Off / Pure Car Carrier
- c. 6500 Teu Containership

This question was answered by most students and again provided a quite wide variety of answer quality. The textbook clearly shows what is required and this is in the question however still many marks are lost due to missing basic information of the vessel and very poor-quality drawings.

Trade routes are extensive for all class of vessels

2000-3000 Teu – Are the largest fleet segment by number of vessels and trade in every sector ranging from larger feeder vessels to main trade use in smaller volume trades [EUR-WAF for example]. Also traded heavily in [Intra-Asia, Med and North Europe and some smaller short haul trades]

RoRo/PCC – These vessels trade in several key trade lanes but notably those with predominantly key car carrier production routes or 2nd hand vehicle routes. Topical right now is the large lay up of these fleets due to Covid-19 affecting motor vehicle trade in massive volume reduction. The importance of use of these vessels on clear trade lanes and RTW services is quite common.

6500 Teu – This size falls into the category 5100-7500 teus and is like old Panamax a fleet size under pressure as it falls really between the cracks of old Panamax and 8000-9000 category. No new building but still very much a work horse on the Asia – North America trade and large unit used on India / Middle East trades either from Europe or Asia.

Q5. Define and comment on any four of the following abbreviations and their role within the liner industry:

- i] NVOCC
- ii] P&I
- iii] LCL
- iv] ISM Code
- v] BIMCO
- vi] UNCTAD
- vii] ICD

Many students answered this question and generally with good answers which simply requires a good understanding of the above practioners which is covered in the textbook and good data available on websites. We were seeking a good commentary of each abbreviation displaying a sound knowledge of each one and its role in the industry and successes.

Q6. Lengthy delays can still occur at many modern container terminals and impact liner services for several reasons. Discuss the various reasons why port delays can occur and suggest ways in which liner services can combat the delays

There were some good attempts made on this question with some excellent summaries

This is a straightforward question given that all terminals both large and small face challenges at various times for a variety of reasons. The question required a summary of reasons why delays occur and how carriers deal with this. Some examples of both items are detailed below:

Delays Occurring

- Poor terminal work practice
- Poor Terminal Maintenance
- Gantry crane and landside capacity
- High container yard congestion and density
- Poor draught
- Labour go slows – work rates

Carrier Service Fix

- Void Sailings
- Congestion Surcharges
- Adding vessels to service to maintain weekly product
- Slower steaming to compensate for extra vessels
- Port Omission

Q7. The use of low Sulphur fuel has now been in place for several months. Explain events leading up to implementation and some of the issues that liner carriers faced. What is the current situation with its use considering current events in supply and demand and likely developments in coming 1-2 year's?

Whilst a different format of this question was recently asked the events following implementation in January were not as straightforward as expected. Examiners were looking for events leading up to this as well as what had happened and the likely longer-term development.

This was an open question in two parts the first being the massive rise in scrubber retro fits, perceived shortage of supply and widening spread in prices between high sulphur and low sulphur fuel. Carriers bunker surcharges and BCO counter measures to this.

The second part again linked to Covid-19 shows massive reduction in prices but also price gap almost disappeared with outcome for example investment in scrubbers may be been too costly to carriers etc. We now have the situation of negative bunker surcharges in some trades.

This question was wide in scope and there were some good answers and understanding but most students failed to cover the fundamental and unexpected price spread which narrowed rapidly post introduction of LSFO

Q8. Define the principles of yield management and, using a trade lane of your choice, detail the individual elements of revenue and cost, and how these are calculated for yield. Use examples to support your answer.

This was quite well answered and is an important subject area in liner shipping today. Whilst the textbook covers the measurement of yield on a specific cargo [and most students do now understand this] the majority of answers were not able to look beyond the textbook and cover more practical examples where this is employed and this therefore reduced the overall mark on this question

The first part covering definition of the principles of yield management if covered well then, the overall question was high scoring. The five key elements are: [A] door to door or port to port revenue or total revenue [B] cost of moving the loaded container [C] Imbalance costs? [D] System cost [E] Admin cost. A-C are critical for establishing contribution to fixed costs

Looking beyond basic cargo examples students who used flow planning [empty surplus and demand] calculations will score more marks as YM is beyond just cargo as one example. Box shortages in a key location where high revenue can be obtained might mean forgoing low yield import cargo to get equipment moving empty to higher paying customers. This is quite topical in the China export market currently