



ICS Examiners Report

Liner Trades May 2021

There were some good papers in the May exams with an increasing trend of more passes. The Liner Shipping Industry has seen enormous changes over the last 18 months following the start of the pandemic it is essential that students adapt to these far-reaching changes as the liner shipping landscape evolves. Well done to those students who passed.

Q1. With very strong export container flows from Asia since late 2020 this has placed pressure on shipping capacity and box supply for carriers in this trading area. Detail the measures carriers have taken to deal with this situation noting this from both the export and import position

This is a real live problem which has resulted in the very high profitability carriers are experiencing. Students who explained some of the reasons for this unprecedented situation scored extra marks. This is a large subject area to cover hence good potential to secure a lot of marks. Unfortunately, the question was not attempted by many students. The issue largely revolves around online shopping driving consumer spending vs. low spend in other areas [eating out / social and sporting events / travel etc]. This resulted in high demand and freight levels in all outbound markets [which today has now switched to supply side problems with capacity – note!]

From an Export perspective

Carrier's late re-injection of vessels coupled with high demand caused enormous shortages of all types of equipment in China / Vietnam etc as equipment was used up quickly and carriers struggled to return equipment to Asia. The measures taken:

- Tight equipment allocation by all box types [booking cap]
- Equipment substitution
- Spot pricing no long-term contracting
- Higher use of 40ft reefer containers for dry exports [presenting another problem]
- Cargo / customer selection
- Double dipping on trunk lines

From Import [inbound] perspective

- Tightening of container free time arrangements
- Cutting low yield cargo
- Ensuring all non-dominant trades to load vessels TEU full and maximise empty evacuation
- Extra loaders empty only
- Not replacing cancelled bookings
- Supply of reefer equipment difficult

Q2. Using the world map to support your answer 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.

- **Asia to Gulf and Indian Sub-Continent**
- **Asia to US East Coast [USEC]**
- **Europe to Mediterranean**

This question had a reasonably high number of attempts and it was often answered well highlighting a good degree of trade and network knowledge. This is such an important area of liner shipping and knowledge of trades and how they are structured is key to understanding how the larger networks function. This is important in the way that many trades cater not only for the end-to-end trade they operate but with hubs and spokes in intermediate ports to maximise both double dipping and outports.

There is a lot to write about with each trade.

Asia to Gulf/India – is a large trade using both end to end products and part of larger network trades but ironically suffering in current environment due to lower rate relative to other more profitable trades so several vessels have been re-deployed to more lucrative markets increasing t/s and hubbing

Asia to USEC – Is a large trade which benefitted from the widening of the Panama Canal and changed networks to ship systems no dissimilar to Transpac Trade [USWC]. This has allowed trade to be developed using a multitude of service networks from Asia to USWC – land bridge and all water to USEC

Europe to Mediterranean is a mixed product selection either with stand-alone trade specific products e.g., NWC to East Med using smaller vessels but also using existing larger ship systems from other trades which double dip over selective Med Hubs

Q3. Describe the main characteristics of FOUR of the following container types, identifying at least TWO main commodities for which each type may be used for and the characteristics of those cargoes. A drawing of one of the containers is required.

- i) **Flat Rack**
- ii) **Tank Container**
- iii) **High Cub Container**
- iv) **Bulk Container**
- v) **Open Top**
- vi) **Reefer Container**
- vii) **Platform**

When examiners set a question like this it is enable students to understand the equipment and the commodities that match the types of container available beyond the standard dry van. Eight commodities are required with some reasonable commentary to secure good marks on such a question and the question was generally well answered by most students.

Q4. Answer ALL parts of the question.

a) Describe as fully as possible the characteristics including dimensions, tonnages, cargo gear of ONE of the following types of vessel's

- i. A 1300 Teu Containership**
- ii. A Specialised Reefer Vessel**
- iii. A 9000 Teu Containership**

b) Draw a profile and cross section of the vessel.

c) Label the significant parts of the vessel.

d) Give details of one trade the vessel operates in, where it will load carry and discharge its cargo. Use the world map provided to support your answer.

The question was reasonably well answered but for a question that is often a standard across many of the different exams in ICS needless marks are lost due to poor drawings, missing basic specs of the vessel etc and yet with some right focus this can be a high scoring question. The key elements required are straightforward based on the 4 distinct questions:

A good drawing of the selected vessel is required including clear lines and measurements.

Trade routes are extensive for all class of vessels

1300 Teu – Feeder Vessel more short sea these days in Europe and Asia many trades.

Specialised Reefer Vessel – Numerous trades under pressure from containers but still viable and strong where a more focused shipping program is required.

9000 Teu – Transpac / ECSA and most trades as intermediate. Good plug capacity often used in high intensity reefer trades

Q5. Bills of Lading are important in the contract of carriage in international trade.

- (a) Briefly outline the 3 main functions of the bill of lading**
- (b) Explain three of the following clauses and why they are important**

- **Himalaya Clause**
- **Scope of Voyage, deviation**
- **General Average and Salvage**
- **Notice of claim and time bar**
- **Compensation and liability provisions**
- **Merchant packed containers**

This can be classed as a rote style question and generally the understanding of the type of question is good. Students do often write too much when it comes to outlining the main functions of the bill of lading. It is not necessary to write several pages on this it will not generate any more marks so simply keep the answer tight and to the point.

The clause part can be a little trickier but generally students who answered this had a very good understanding of the subject matter.

Q6. Major carriers are increasingly extending their activities beyond a basic port to port service and style of product offering. Outline these developments and areas where carriers are extending their activities. Comment on the likely areas of conflict in such a development and the expected longer- term development of this sector.

This was an open question, and the examiner is looking for a wide and varied answer showing a good understanding on how this entire style of business will increasingly expand from the carrier's side. The subject is very relevant in today's liner shipping world. A big development is in the way pricing and contracting evolves [Maersk spot for example] but most carriers are developing pricing algorithms to develop effectively and increasingly transactional service. But offering also on larger customer segments like reefer a range of services:

- Packing/warehousing
- Event management
- Greater door to door control
- Trade finance
- Cargo inspection
- Forwarding and documentation

Students should highlight with examples the potential for conflict in freight forwarder sector [medium range]

Q7. You are a carrier entering a new market and constructing a freight tariff for that specific trade on a FAK and or box rate basis. Describe and explain the pricing strategy you would use and the factors you would need to take into consideration to ensure the tariff is market related.

This was a variation on previous questions, and it is often poorly answered and yet it is fundamental to carriers both to new and existing trades. More so given that there are no conferences or the ability to talk to other carriers in this process [anti-competitive]. The subject of pricing is covered extensively in the workbook and this question seeks to gain understanding of what a basic freight tariff should look like [some students mistakenly think this is a contribution question]. Tariffs are set by the market.

Part A of the question would be to show the individual elements of a straightforward tariff the basics being main port to port rates, outport additional, THC's, bunker surcharge, special equipment, reefer, OOG charges, hazardous, CAF etc.

Part B is how a carrier can get this information. Market intelligence of the trade, existing customers, and their price requirement [sales need to speak to customers], research of the trade size and volume and types of cargo moving and looking at other line's websites for their basic tariff construction to gauge pricing levels on the trade. The internet is a useful source in gaining a lot of information.

Q8. The global trade in containerised refrigerated cargo is large and growing at high level per annum as the sophistication of equipment and types of cargo evolve. Describe the structure of the global reefer trade highlighting key cargoes and markets. Describe two specific liner routes where reefer cargo is a critical component of the trade's profitability

Fairly open question as it is a large subject but requires students in the first part to have a reasonable understanding of the structure of trade built around – fruit, protein, pharmaceutical and the key trade lanes supporting these products. With a global trade more than 8 million Teus there is a lot of scope for this.

Two routes needed to be chosen. This could be meat ex Europe/USA to China or Fruit [many trade lanes] and Pharma [Europe outbound etc]. The reefer container allows high value perishable cargo reach all markets both small and large.

This a vast subject with good opportunity to score high marks but it requires care in answering and good understanding of this specialised cargo area.