



# ICS Examiners Report

## Liner Trades November 2021

The Liner Shipping Industry continues to see enormous changes and notably the continual shock waves supply disruption caused by a multitude of events plays havoc with stability in the industry. It is essential that students adapt to these far-reaching changes as the liner shipping landscape evolves and try to look beyond the basic syllabus and it is beyond this that can make a difference to your final paper. Well, done to those students who passed.

**Q1. The latter part of 2020 witnessed a large recovery in container volumes on many trades and with this many supply-chain issues. Describe the main events and challenges that have affected the structure of the global container market over the last 12 months. What further changes would you expect to see over the next 2-3 years?**

This was a variation on the May 2021 exam question around the massive changes affecting the liner market since April 2020 and is an open question, but the subject is vast. The question comes in two parts can be broken down as below:

### Part A – *Reasons and Background*

- Pandemic shift to consumption spending
- Container stocks in wrong place
- Demand return Q3/Q4 in 2020 which continued to Q1/2021
- Shift from demand to supply side [shortage of ships] early 2021
- High charter market resulting in
- Port delays in Asia / USWC / Suez Canal incident
- Massive upswing in rates etc

### Part B - *Outlook*

- Demand more sedate in 2022/2023 or 'normal'
- Delays will ease as ports recover
- This will ease charter rates
- Large vessel orders in Q1/Q2 = 2023 and 2024 enormous influx of tonnage
- Increase in scrapping [carriers purchase of second-hand tonnage]
- Reduction in rates but more equilibrium as carriers balance supply side

The question was answered quite well in some areas but lacking for many. It is a large subject and would urge student to note this as a common theme on liner networks today and their challenges and as a result to keep up to date with market through the various media outlets etc as this unfolds.

**Q2. Using the world map provided 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.**

- **Asia to East Africa**
- **Asia to Australia/New Zealand**
- **Europe to West Africa**
- **Asia to Middle East – India Sub-Continent**

We added a 4<sup>th</sup> trade lane to this type of question to assist students with greater choice and try to vary the lanes to help in this respect. This exam focused on slightly smaller trade lanes [although Asia to Middle East / ISC is a variable both large and small capacity deployed service]. The standard approach to answering this is often to focus too much on commodities and ports of call / maps in a listed style. This is not the only aspect to the question do think about the service size [TEU capacity of strings] also the size of the trade and its dominant and non-dominant structure. The key item examiners are looking for is see if there really is a good understanding of the trade and not just a list of ports and commodities. This will most certainly then attract higher marks. Students to do this should have good research and understanding of 8-10 key trades in their revision.

There were some good answers in general in respect of this question.

**Q3. Define and comment on FOUR of the following abbreviations**

- i) **BIMCO**
- ii) **ICC**
- iii) **FMC**
- iv) **FIATA**
- v) **UNCTAD**
- vi) **IACS**
- vii) **IMO**

In many respects in today's liner shipping world that we face the above seem to have less day-to-day relevance but in fact they extremely important practioners of the business and therefore a good understanding of the roles they play are of vital importance when studying this subject.

Therefore, it was really pleasing to see how well so many students answered this question with a sound knowledge and understanding of their roles. Most students scored high marks on this question.

**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 vessels**

- i. A 1100 Teu Geared Containership**
- ii. A Pure Car Carrier or RoRo**
- iii. A 5000 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.**

This question is often asked as it is vitally important students know the types of ships operating in liner trades much as other exams look for bulk and tanker vessels etc. It is a key part of the understanding of this subject. The quality of vessel drawings, specs etc continues to be 'variable' and unfortunately this is where a lot of the marks are. A good clear drawing of the vessel and its details is essential.

In terms of the required trade routes for these vessels they are extensive for all class of vessels but loosely summarised below.

1100 Teu – Feeder Vessel increasingly used on very short sea routes [Baltic – Intra Europe – Med – Asia etc] workhorses and often run by feeder focused companies on behalf of large carriers.

Pure Car Carrier or RoRo – PCC or RoRo vessels trade in several key lanes but notably those with predominantly key car production routes from manufacturing centres

5000 Teu – Original Panamax new lease of life being used on most trades around the world except Asia/Europe – Transpac -USWC/USEC Answer ALL parts of the question.

**Q5. Choose any TWO of the following cargoes.**

**Identify TWO main trades for each cargo chosen on which they are shipped, detailing the main ports of loading and discharge. Explain the types of container equipment used and any special requirements or precautions that need to be taken to protect the cargo.**

- i) Blueberries**
- ii) Fishmeal**
- iii) Scrap Metal**
- iv) Grains**
- v) Frozen Meat**

Knowing what is inside the container is rather important hence the relevance of this question which was answered quite well but often some key elements left out like container size or temperature control etc. Do plan when answering a question like this to ensure all parts are covered.

**i) Blueberries**

Require 40ft Hi cube reefer often requires controlled atmosphere as very high value cargo needing climacteric fruit protection. Trading areas from Southern Hemisphere [Peru / Chile / South Africa / Argentina / Uruguay / Mexico] trade lanes through to Europe and USA high demand and growing Asia market. Healthy product.

**ii) Fishmeal**

Shipped in 20fts and 40fts requires Haz label [class 9] for China and markets to Europe, China, Vietnam high demand in fish farming etc. Export markets from southern hemisphere

**iii) Scrap Metal**

Global trade over 105 million tonnes per annum and quite a lot of this moves in containers [20ft GP's only]. 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.

**iv) Grains**

Grains are a quite a wide area and you should take good care not confusing bulk shipping mode with container shipping. Many grains notably rice move in containers where markets are smaller and specialised. A lot of rice moves to Africa in containers from various supplying markets [Thailand, India, Pakistan, and USA]. Likewise, a lot of wheat and maize can move in containers from supplying markets [Australia to Asia]. Care required in terms of supplying 20ft dry containers with no moisture and taint. Good ventilation.

**v) Frozen Meat**

Frozen meat is shipped in 20ft and 40ft refrigerated containers and is a large trade globally moving in large and growing numbers ex Brazil, Australia, New Zealand to many markets as well from USA and Europe. The demand for consumption drives this product in advancing economies such as China but also in Africa.

**Q6. Answer BOTH parts of the question.**

**A Explain the purpose of a Letter of Indemnity and suggest in the form of a letter a suitable wording for an indemnity in respect of missing bills of lading.**

**[B] 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**

Not always selected but quite well answered. The basics required were:

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 are looking for:

- A good, structured letter
- 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 to provide financial security.
- LOI for missing/delayed B/Ls are legitimate commercial documents.

[B] - This 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.

**Q7. In recent years transshipment and relay hubs continue to grow in importance. Describe the key reasons why they are important. Give details of THREE transshipment hub ports of your choice and how they fit into global trading patterns.**

This is an important question in the context of the absolute mess right now in shipping networks where hubs are under stress due to port delays so the importance is linked to how well you can handle this transshipment. There were some good understandings on this question although generally answered textbook style. Those students providing live examples and challenges secured good marks.

Summary of key reasons for hubs.

- Hub and spoke due to larger ship systems and alliances
- Need to reduce voyage times by reducing port coverage
- RTW developments
- Wider network application with trunk lines e.g., Asia – WAF T/S RSA to open Asia – RSA trade and local = double dips. Transatlantic / Transpac hub over Central American systems. Also, the vast hub and spoke networks in Asia.
- Draft restrictions in some ports

Some examples of Hubs

Salalah, Singapore, Tanjung Pelepas, Hong Kong, Jebel Ali, Coega, Valencia, Algeciras, Freeport, Manzanillo, Colombo, Lome, Port Louis, Rotterdam

**Q8. Using an organization chart show the key functions and responsibilities of a container Liner Shipping Company [showing sub departments where applicable]. Using two functions of the company expand on their roles within this structure**

This is a rote style question with all the details in the textbook even with examples of how an organization chart should look like. These were quite varied and could have done better although functions were mostly covered. Marks were generally lost on detailing more about key functions of two departments with some students answering detail on every department.

Organization chart clearly detailed and labelled.

Expansion of roles within liner company i.e., Trades [Network Planning and Trade Management P&L] or Global Operations [Ships / Container Management / Contract Management – Terminals etc.]