



ICS Examiners Report

Liner Trades November 2024

There were some good papers in the November and generally all students did quite well this time with higher pass rates than usual. The questions around the fast-changing landscape of liner shipping especially over the last few years highlight do expose students, and we can only again emphasise the importance of keeping up to date via media sources and there are many sources to choose from which are not subscription related.

Whilst the Liner Trades syllabus does look for what can be classed as textbook style questions which are important such as documentary aspects, and equipment etc the industry is developing in such a way that students cannot ignore the changing landscape and trade and market knowledge, pricing and geopolitical events which impact the industry. This is often the area where if not covered it can be the difference between a pass or fail.

Q1. The following trades each have growing significance in global trade.

Asia to East Coast South America Trade

Asia to US East Coast Trade

Asia to Australasia Trade

Using the world map provided, select and describe two of the above trade routes showing key ports of call. Separately describe how the services are structured, size of trade, size of vessels used and key commodities moving.

A map is quite important in this question to highlight trade knowledge and a rough narrative of the trades is detailed below with key points but does need to be a little more expansive.

Asia to ECSA Trade - Westbound is the dominant leg although Eastbound is also highly utilised with also high reefer volumes to Asia. Vessels used are cascaded from larger trades using 8000-10000 teus nominal. Trade is growing fast but had been hampered by supply and demand issues however several new services have been launched in recent years. Eastbound trade has high volume of refrigerated cargo whilst Westbound is dominated by finished goods. Trade will continue to grow notably China – Brazil both ways due to demand for finished goods in Brazil and China demand for agricultural products [Soya / Grains etc].

Asia to US East Coast Trade – Trade Size approx variable dependant on routing via WCNA or canals. 8-10 million teus Eastbound [dominant] Vessel size 5000-12000 via Panama or Suez [currently via COGH]. Dominant finished goods EB and agricultural products WB. Trade is linked to overall Asia – USA trade and competes with USWC and land bridge [only 25-30% of US cargo moves via Panama], trade development can be dependent on Panama and Suez Canal issues with both routes under pressure.

Asia to Australasia Trade – Trade size approx 2.5 million teus Southbound [dominant] and 1.2 million teus Northbound [non dominant]. Vessel sizes average 5000-8000 teus nominal and split N/Asia services and S/Asia Services [many services]. Trade moving to wide beam use and is dominated by high value goods southbound and base metal and Agricultural products northbound with high volumes of reefer cargo. Trade growth will continue but finite due to population/market in Australia however high growth in T/S volume as well.

Q2. NVOCC and specialised logistics operators are becoming increasingly significant in today's liner shipping industry. Explain why this is happening and what are the advantages and disadvantages to exporters and importers of using them? Support your answer with examples from two different cargo types.

This covers the crossover and competition between logistics and multimodal services and the complementary nature of these services to the liner shipping sector.

This is an open question to allow an expansive answer on this subject area which is vast. The sector is increasingly taking over shipment management at various levels from basic forwarding right through to contract management. You should display a good understanding of the role and value add at this brings.

Once again large area but the field is large enough to provide two good examples door to door of what an NVO or logistics provider can do. Say reefer cargo management or retail specialised etc.

Q3. Whilst much attention remains in the large containership market, the 3000-4000 teu container [baby Panamax] fleet is substantial in size and robust in its activity, and they are used in most trading areas of the world.

A] Draw a profile and cross-section of this types of vessels and highlight within the drawing the main features of the vessel including measurements and capacity

B] Describe TWO trading areas where this vessel would operate.

This is always a question that if answered with a bit of care can score high marks due to the value attached to a good drawing of the type of vessel as well as measurements and capacity. Notably many also of these vessels use ships-gear making them versatile units in most ports. There were a mix of good and bad drawings the latter can heavily affect your marks. It is worthwhile to practice drawing some vessels as this type of question often comes up.

They are heavily used in Intra Asia trade as well as many Asia feeder networks. Also heavily used intra Europe both for feeders and stand- alone trades [North Europe – East Med etc.]. Short route services into numerous markets where trade size can sustain this type of vessel [SE Asia – East Africa / Gulf or South Asia – West Africa and South Africa]. Likely developments depend to large extent to the cascade of larger units because of massive orderbook and their higher cost per slot as a result. Generally, a reasonable future awaits this class of vessel though.

Q4. Select and describe FOUR of the following clauses commonly found in bills of lading and their importance to the carrier.

General Average

Himalaya Clause

Freight and Lien

Return of Containers

Dangerous Goods

Both to blame collision clause

Mist students answered this question well given its rote style. Good understanding was given of the clauses above so the question secured high marks.

Q5 – Answer both parts of the question

[A] Explain in detail when running a liner trade service what various vessel operating costs are and the revenue sources which should cover these costs.

[B] Discuss how costs can be reduced in situations where revenue does not cover costs.

This type of question is simply looking for students to itemise and show an understanding of the cost items of running a service [ships, fuel, port charges – i.e. fixed costs and variable costs like containers etc.]. Revenue is straightforward isolating freight charges [all types] and THC's, surcharges and inland tariffs. There is a tendency in this type of question to focus on ship costs by crew/stores etc. In liner shipping and costing the P&L of a service the ship cost is simply the daily hire [charter cost] or amortised cost per day [owned vessel]. There is no need to break this down further.

The second part of the question simply looks for an understanding of cost cutting that can take place [slow steaming, ship idling, partnerships like VSA, void sailings, scrapping, scale [size] and port rationalisation]. The key fundamental of the entire question is the understanding of supply/demand.

Q6. Describe the main characteristics of FOUR of the following container types, identifying at least TWO main commodities for which each type may be used and the characteristics of those cargoes.

Flat Rack
Tank Container
High Cube Container
Bulk Container
Open Top
Reefer Container
Platform

This type of question is important to get you to understand the equipment and the commodities that match the types of containers available beyond a standard dry van. Eight commodities are required with some reasonable commentary. A drawing of the container is useful. This question generally scored high marks

Q7. Following the arrival of a container from a designated origin the consignee determines that the cargo has sustained damage.

Fully Describe the procedures and actions that should be taken by both the consignee and the carrier or agent.

Under the first part reference should be made to evidence and documentation, insurance, limited liabilities (B/L terms), surveyors (joint or otherwise) and notice of claim / time bar.

In the second part a good narrative is required on the implications of a clean bill of lading and a claused bill of lading.

The attempts on this question were relatively low yet it is an important area in liner shipping

Q8. The use of IT systems and new technology have rapidly been employed in the container industry in a variety of roles and are now essential for the successful running of large container liner companies due to the sheer size of transactions taking place.

Explain in detail how the use of different IT systems has helped with this growth and outline what the benefits have been to carriers, shippers, consignees, and any other parties?

For most major carriers this is an area where enormous development takes place, and the process is ongoing to reduce human and notably deal with the high level of transactions. Where this has helped would be covered by:

Container control

Carrier Documentation production [mention back offices/bills of lading/arrival notices/invoicing etc]

Ship planning

Websites

EDI to and from ports and government bodies [customs etc]

Management systems [contribution models etc]

Increasing digitisation and integration of liner services beyond port-to-port models

Complex pricing algorithms [Many carriers use for spot pricing]

By answering above this should allow sensible approach where benefits accrue to shippers and carriers. This is an important and developing subject so essential to keep up to date with the sector.