



# ICS Examiners Report

## Liner Trades

May 2019

### Question 1.

**Liner Trades can be either 'Deep Sea' or 'Short Sea'. Compare the main characteristics of each type of trade identifying any differences in the operational requirements and types of vessels used. Support your answer with maps and examples of actual trades.**

The examiners are looking for a two-part answer.

The first part of answer should differentiate between the two types of product and using geographical limits.

In today's liner world there is a clear distinction between the two types of service and supported by operational aspects such as length of voyage, vessel size, type [incl. gear] and ports.

In the second part good use of maps and even a small ship diagram with good overview of trades will help marks [these are often missed even though requested in the question].

Deep Sea services such as any long-haul services [Europe – Far East / Transatlantic / Transpacific / Asia – ANZ etc] whilst short sea can be services hubbing off key transshipment ports or simple regional services often operated by third party feeder companies

### Question 2.

**Explain the reasons for application of and purpose of five of the following charges or surcharges which may be payable to carriers in addition to sea freight. Why are these charges often unpopular with exporters and importers?**

**Currency adjustment [CAF]**

**Bunker Surcharges [BAF]**

**Terminal Handling Charges [THC]**

**Import Service Fees and docs charges**

**Port Congestion Surcharges**

**War Risks**

**Container Detention and Demurrage**

The examiners were looking for an overview of these types of charges which are all in fact 'negotiable' but increasingly applied to recover costs and charge beyond standard freight tariffs. Their unpopularity is largely due to this perception of additional items and cost.

CAF is not so common but should relate to whole basket of currencies affecting costs on scope of voyage. Extremely unpopular in a world where merchants take currency risk on all transactions

War Risk surcharge is becoming more common as a result of premiums from insurance companies.

Port Congestion charges are raised by carriers when there are excessive delays to vessels however these can be politically contentious area with ports and governments.

All other charges listed such as Bunker / THC / Detention and Import Service Fees are well covered in press and market and should be fully researched and understood by students given the importance of freight tariffs etc.

### **Question 3.**

**Explain the activities of a Non-Vessel Operating Carrier [NVOCC] and the contractual relationship of an NVOC with the cargo owner and the ocean carrier. Discuss the relationship between the bills of lading issued by the NVOC and Ocean carrier respectively and any problems that might arise.**

The activity of NVOCC's are largely well known and understood by students. The examiners were looking for more than a basic understanding of this segment. An opening description of what exactly they are is a good start.

A good overview of the detailed activity of NVOCC providing of both FCL and LCL services [FCL services are often overlooked].

The retailing style of NVOCC should be covered [buying and selling], also added value services they provide and today their size is enormous in terms of the scope they provide beyond basic forwarding.

NVOCC issue their own bills of lading [house bills] to merchant often with own trading names like Blue Anchor line etc.

Carrier bill of lading to NVOCC unlikely to show shipper or consignee only NVOCC.

Conflict areas can be related to back to back terms, different interpretations. It is essential to note NVOCC is not an 'agent' only but a principal to ocean contract etc. With exception of hardware [ships] they are effectively a carrier.

### **Question 4.**

**Discuss the criteria which govern the cargo stowage of a large container ship and an overview of the process that a carrier vessel stowage planner needs to consider.**

The examiners were looking for an expansive answer to an extremely important part of liner business.

Today computer-based systems such as 'power stow' facilitate much of the work however this is not the answer however mentioning and understanding such systems would secure marks.

The below is a broad list of considerations in respect of stowage planning and expanding on this showing a good understanding will secure good marks.

- Stability
- Trim
- Restows
- Hand over plan for best stowage to next terminal
- Number of load and discharge ports
- Weight [light / medium / heavy]
- Mix of units 20ft and 40ft GP/HC
- Specials [OOG]
- Reefer
- DG Goods

- Advance info
- Pre-stow on quay/stack
- Late runners
- Full and empty containers mix
- Conflicts on variables [example - too much HAZ cargo can compromise reefer lift]

**Question 5.**

**The increasing availability of fully modernised container terminals in all parts of the world may make geared container ships obsolete. Discuss the validity of this statement and consider the extent to which geared container ships might be replaced by RoRo or specialised multipurpose vessels noting the continued expansion of smaller ports.**

This is an open question and does allow an expansive answer showing an understanding of why such vessels are important despite the growth of large vessels and terminals.

The answer should include discussion of the circumstances where geared ships are still needed including the needs of the very many remote feeder/spoke operations and underdeveloped ports. This would be smaller ports without gantries or decent mobile cranes.

There should be commentary on this including recognition of the pressure from major container lines for efficient exclusive terminals which exclude geared or smaller vessels. This opens opportunity for geared vessels.

Some discussion of the traffic volumes needed for adequate terminal facilities was also appropriate.

The potential for Ro-Ro or multipurpose as a solution should cover the pros/cons of carrying containers on such vessels including costs of trailers as well as capital cost of vessels. The extent to which small geared container ships are replaced by Ro-Ro is perhaps best exemplified by archipelago island services although there are other good examples including West Africa [Grimaldi]. You should not confuse Ro-Ro ships and PCC/PCTC.

The question does not ask for a broad discussion about Ro-Ro services, only about their potential role in handling container traffic.

Where Ro-Ro or multipurpose is a solution it can also be argued that using non-geared facility in a busy port with congestion that handles large container vessels can provide a better service [niche operators]

**Question 6.**

**Dominant and Non-Dominant legs are terms used to describe a specific trade route. Explain what is meant by both and use current trade examples to demonstrate this giving detail on why this happens. Why would some trades have a dominant [balanced] leg in both directions but with other container flow challenges? Use the world map provided to support your answer.**

The examiners were looking for the following.

There should be some opening comments of good examples of at least one dominant trade and compare this to non-dominant.

Dominant Trades are for example Asia to Europe or Asia to USWC/EC etc]

Non-dominant Trades examples are Europe to Asia or USA trades to Asia or West Africa – Europe].

Some details of trade with a map and good reasons for dominance/non-dominance is required

Balanced trade legs are also common either through similar volume such as Transatlantic but can be problematic when same TEU size but vastly different product mix [e.g. dry out reefer back] such as Europe to/from ECSA and Europe to/from South Africa as well as Asia – ANZ trades.

### **Question 7.**

**Describe the role of container leasing companies and the type of leases offered to carriers. What are the advantages and disadvantages between owning and leasing containers for the carrier? Briefly describe the key features of the TWO of following equipment types and example of cargo carried in each:**

- A] Ventilated containers**
- B] Open top containers**
- C] Flat Rack containers or platforms**
- D] Tank containers**
- E] Temperature Controlled containers**

**Explain the background and requirements of the IMDG code. Identify each of the classes within the code and**

Very important with such a question not to be over expansive on the opening part of the question on leasing vs. owning etc.

Examiners are looking for basic principles such as for owning it is cheaper in the long run, operators design and control of M&R. finance costs and disposal vs. demand. Leasing allows flexing of fleet, capital financing reduced, M&R lessor and type of contracts. Financial penalties etc.

A quick summary of types of leases is more than enough being - Short term Lease, Long Term Lease, and Master Lease.

It is important to highlight for the second part of the question where equipment types are requested to read question and only answer for the requested number. Best answers are those which show a good understanding of the key features of the unit [measurements etc] and a good example of cargo carried.

### **Question 8**

**The new MARPOL2020 global low Sulphur fuel regulation or IMO 2020 Sulphur Cap is going to affect price and availability of bunker fuel worldwide. a) Discuss these changes and b) the measures carriers will need to employ to control their fuel costs.**

The examiners are looking for a two-part answer

Very important is understanding of MARPOL 2020 due to this being featured heavily in the shipping press and why with options for carriers:

- IMO related applied globally reducing low Sulphur limit to 0.5% from 3.5%
- WEF 1/1/2020 already an issue with longer term contracts due to the expected massive price increase per tonne of fuel
- Options – Hybrid Oil, Scrubber conversion, LNG
- Low Sulphur gas oil [LSGO] is currently US\$ 150-200 per tonne higher than standard bunkers but price increase is expected once demand supply kicks in

Second part can speculate on several areas in the commercial arena as the year progresses.

- Correcting supply/demand
- Re-establishing the bunker surcharge principle

- Transparency with calculations
- Backlash from cargo owners
- Emergency Bunker Surcharges by container / Teu / trade / reefer
- The possibility for variable surcharges on same trades caused by carriers with high number of scrubber fleet vs those using only Hybrid
- Destabilisation of charter market upward demand as carrier's charter vessels to cover own fleet being retro fitted
- MARPOL2020 is a game changer in terms of how many lines will operate their fleets and get customers to pay for the higher prices.