



# ICS Examiner's Report

## ECONOMICS OF SEA TRANSPORT 2012

### Overall Comments Guidelines

This year's Economics of Sea Transport & International Trade exam produced some very well structured answers supported by good diagrams and maps. A very clear and pleasing trend in recent years has been candidates' knowledge of current shipping and global trading news and the use of such information to support economic theory and practice. Evidently candidates are preparing well and enjoying their course.

### Overall Comments

Overall, the quality, length and substance of the essays submitted in 2012 has improved with some centres showing marked improvement upon previous years, reflecting an encouraging trend.

### Question Guidelines

Candidates must remember to start each answer on a fresh page, not waste time writing the question and feel free to use diagrams and maps to support their answers. Answers that made use of diagrams and maps scored highly. The wide use of maps to illustrate answers in 2012 is a very encouraging development.

### Question One

One of the most popular questions and very well answered. Candidates who had prepared well selected a port known to them and, after identifying the factors instrumental to the development of the port, went on to talk about planned future developments including 'green shipping' issues. Most candidates identified their preferred port management philosophy and centred their answer on that management style.

### Question Two

A popular question and very well answered with very detailed diagrams. Candidates who scored highly defined a tariff, gave examples and with the aid of diagrams explained the effect of the tariff on a product or commodity. The best answers identified specific products, industries or commodities and supported their answers with very good diagrams.

### **Question Three**

A very popular question, but not well answered by candidates who failed to show the distinction between fixed costs and variable costs. The best answers clearly showed the relationship between cost management and control and profitability, identified the costs and explained how they could be reduced.

### **Question Four**

A topical question, which gave candidates the opportunity to show their knowledge of current financial affairs and in particular the Euro crisis and the likely impact of the crisis on the shipping industry and international trade. A popular question and capably answered by candidates who had prepared well. The question required candidates to show the centrality, importance and impact of the Eurozone on international shipping and trade.

### **Question Five**

This was a two part question. The question was about derived demand elasticity and the rules that govern it. The best answers identified and explained derived demand elasticity and the rules that govern it in detail. The Marshallian Rules are an essential part of any question pertaining to derived demand elasticity, so candidates who failed to mention and explain the rules failed to secure maximum marks.

### **Question Six**

This question required candidates to identify the five sets of assumptions that characterise a competitive market and to explain these assumptions within the tramp and bulk trades. The best answers identified the five assumptions and provided detailed explanations of the same within the tramp market or dry bulk trade.

### **Question Seven**

A very popular question. This question required candidates to comment on the economic impact of piracy on global shipping and international trade and the response of the international shipping industry to the development. The best answers identified specific costs such as increased insurance premiums, bunkers, vessel modifications, armed guards and distances and their economic impact on global shipping and steps taken by the shipping fraternity to deal with piracy. The use of maps by many candidates to support their answers was a welcome development.

### **Question Eight**

One of the most popular questions. This question was about the identification of the many factors that influence the supply of shipping and how these factors impact the freight market in both the short and long term. The best answers identified the factors that influence the supply of shipping and then went on to explain their influence on the freight market in both the short and long term.