



2014 ICS Examiner's Report

ECONOMICS OF SEA TRANSPORT (EST)

General Comments

Overall, this year's results are encouraging and an improvement on last year. While the length, quality, depth and use of current industry examples in candidates' answers continue to improve, there is a need for essays to reflect a more professional structure. There should be an introduction, the main body consisting of paragraphs and a brief solid conclusion. Answers must start on a fresh page and be clearly marked.

What was very noticeable this year was the jotting down of the main points of the questions at the start of the answers by most candidates. This is good practice and may possibly explain the continued improvement in quality, length and depth of answers. The practice gives candidates not only a focus but all the other added advantages that are clearly outlined in the examination prep talks. It is a commendable practice, keep it up!

It is also heartening to note once again, the increased and continued use of graphs to support answers, even where there is no specific requirement. This development is highly commendable and further enhances the quality of candidates' answers.

Candidates are always advised not to write in pencil; however a few chose to ignore the advice. Please use a pen.

Candidates that understood key words such as; compare, contrast, explain, assess, discuss and examine scored very high marks. It is therefore recommended that candidates learn the meaning of these words.

It is evident that these examiners' reports are read and acted upon, given the consistent improvement in performance year on year.

Question 1:

This question was about the structure of the tanker trades. It asked candidates to describe it and provide three examples of typical cargoes. Included among these would be the common types of cargoes such as crude oil, refined oil products and chemical seaborne grades. The latter might consist of petroleum products derived from organic chemicals. It may also include sulphuric acid and phosphoric acids derived from inorganic chemicals. There are also vegetable oils, animal oils and bio-fuels to consider.

In the second part of the question, comments were required on how a growth in pipelines would affect tanker markets in the future, using the world map to illustrate the answer.

Candidates that secured the highest marks made full use of the maps provided and exhibited an impressive and up-to-date knowledge of developments taking place in the global pipeline industry: very well done to those who gained high marks.

Question 2

This was one of the most popular questions. It required candidates to define the concept of opportunity cost and its application to the shipping industry from the point of view of a port agent, a shipowner and a charterer.

This year the answers were generally longer and more detailed showing a deeper understanding of the concepts and their specific application to the shipping industry. Very well done to those candidates that attempted this question.

Question 3

This was a very popular question. Candidates were required to compare and contrast tariffs and subsidies in international trade. Candidates should have explained the meaning of both terms and their application and purpose in global markets.

Some candidates failed to secure good marks because they failed to compare and contrast the two. It is critically important that candidates tell the examiners what the examiner is asking for in the question, and nothing else.

Passing an examination requires more than just an accumulation of information or knowledge. It is more about how that accumulated information or knowledge is applied to answer a specific question. Candidates are therefore advised to read questions carefully before putting pen to paper. Some candidates went to great lengths explaining what tariffs and subsidies are, without paying any attention to what the question asked for, which was comparing and contrasting the two. Some candidates therefore failed to secure a pass simply because they did not answer the question.

Question 4

This was one of the least popular questions. Candidates were required to explain how foreign exchange rates between countries are determined. The answer might include where demand for say, sterling comes from.

The second part of the question asked for the use of a graph to support the answer. The graphs used by most candidates were simple but relevant and managed to convey the meaning: again, very well done to those candidates that attempted this question.

Question 5

This was one of the most popular and well-answered questions. Candidates were required to examine the factors that influence the demand for shipping. It would include levels of world economic activity, particularly that of the OECD countries. It would cover the volume of seaborne trade generated and its major components. Also important is the distance over which cargoes are moved, freight rates and other external factors. With the aid of the Marshall Rules a candidate might explain why shipping is considered to be a derived demand.

Many candidates failed to see that this was a two-part question. It was surprising that some candidates did not notice that.

Typically, candidates talked about world economic activity and trade, but failed to mention and explain why shipping is considered to be a derived demand.

It is the Marshall Rules that provide the explanation. The four Marshall Rules must, therefore, be identified and explained. It is the omission or lack of adequate explanation of the rules that caused many candidates to fail. Most of them wrote extensively about all the factors that influence the demand for shipping but not about the most important elements nor about derived demand.

Again candidates are advised to read questions carefully so as to establish the exact requirements of the examiner.

Question 6

This was a very popular question. Candidates were required, with the aid of the five characteristics of a competitive market, to assess the extent to which dry and tanker markets operate under perfectly competitive conditions. Candidates who merely listed the five characteristics without adequate explanations failed to secure good marks. Again some candidates failed to relate their answers to either the dry or the tanker markets. Candidates who prepared well listed the five characteristics and provided convincing assessments as to why the dry and tanker markets are said to operate competitively under such conditions.

Question 7

Surprisingly this was not a popular question. Candidates were required to define a balance of payment deficit, explain how a deficit comes about and to suggest the sort of monetary and fiscal policies that could be taken to manage these. Candidates, especially from the developing world, had an opportunity to describe how to improve their economies by putting in place measures that would secure increased productivity. This would result in an increase in trade and foreign exchange earnings. Increased trade of course leads to an increase in shipping. This was a shipbrokers' opportunity to provide solutions for economic growth, prosperity and progress while advancing their industry's own development.

Question 8

This was a very popular question and enabled those candidates who had prepared well to show off their knowledge and understanding of the short and long-term factors that affect the supply of shipping. Candidates who secured high marks provided detailed answers with current industry examples, supported by relevant graphs.

The question required candidates to discuss the factors that affect the global supply of shipping. This would include tonnage supply, bunker prices, world commodity demand and levels of industrial production, seasonal pressures, market speculation and freight rates.

Candidates with the highest marks exhibited sound theory and knowledge of market conditions, present, immediate, past or short and supported their answers with relevant diagrams.