**Overall Comments**

This was a challenging examination paper but a rewarding one for those who had prepared adequately and who were prepared to work hard in the examination room. The paper required candidates to think so that simple regurgitation of rote learning did not provide success.

Much of the good work observed in last year’s paper was not apparent this time and some old failings were readily observed. Too many answers were too brief; few seemed prepared to write more than two sides of A4. Too many answers lacked diagrams and where they were produced they tended to be poorly drawn and half-heartedly annotated - if at all.

The topicality of some questions was completely missed by many candidates who seemed unable to apply economic concepts to real-world events.

**Question 1 - The Erika - economic impact on the tanker market**

The topicality and significance to the tanker market of the sinking of the Erika demanded a question such as this with the focus quite clearly on the economic impact. Although related to a specific event, actual detailed knowledge of the event was not essential; any "devastating oil spill" has the potential to have a serious impact on the market. This was, therefore, a relatively open question enabling candidates to develop ideas related to costs and supply (owner) and demand (charterer) considerations.

This question should have generated high marks for candidates but most achieved only borderline passes because of the limited range of ideas and lack of adequate supply and demand diagrams.

**Question 2 - Liner Trades - economic theory, low profits, competitive pressures**

The most popular question but a demanding one; much economic theory was required. It was disappointing that some candidates only answered part of the question, limiting themselves only to the competitive pressures rather than referring to the relevant economic theory. Most difficulty appeared to arise from candidates’ focus on the liner trades being too limited.

The better answers capably set out the characteristics of liner shipping services, used economic theory to explain the conference paradox and discussed external and internal competitive pressures.

Diagrams usually lead to higher marks but where they were used they were, in the main, poorly drawn and weakly annotated.

**Question 3 - Foreign direct investment - effect on balance of payments**

The least popular question despite balance of payments being an indispensable element of the syllabus. Those who did attempt it scored poorly; many failed through not meeting the requirements of the question of answering a completely different question from the one asked.

The main focus was on the balance of payments and its mechanics. Candidates needed to identify that the capital account would receive the injection of the investment in one particular year but that, over time, there would be subsequent outflows from the current account due to repatriation of interest, profits and dividends.
Question 4 - Subsidies - dumping - reference to the shipbuilding sector

Geially well answered but lack of topical awareness is worrying. Most achieved pass marks but so few were successful in bringing all three elements of the question together in a coherent

Whilst most candidates able to explain subsidies capably, a wider knowledge of dumping is needed especially in context of shipping.

Several candidates come to grief by assuming that their writing all they had learnt about protectionism would provide an appropriate response to the question which clearly would not.

Question 5 - Panama or Suez Canal - economic forces driving investment

The syllabus for this paper specifically includes a section on “Ship canals and waterways, basis of charges etc”

Much time was wasted on an historical approach whilst the question was requiring the identification of current economic forces driving investment in the chosen canal.

The economic force that needed to be drawn upon was technical economies of scale. Shipowners are constantly looking to increased ship sizes thus necessitating improved canal facilities. A third set of factors with the Panama Canal and increased dredging of the Suez Canal are classic examples.

All though the tonne-mile concept reduced transit times and costs are important this was essentially an economies of scale question and candidates who missed this point failed to gain high marks.

Question 6 - Dry bulk market - perfectly competitive conditions

This was a straightforward question with plenty of scope which accounted for its popularity. Many answers attracted high marks. Several, however, were poorly prepared and supplied hopelessly brief answers.

A frequent fault in answers generally but which was especially apparent in this case is the failure to realise that examiners are unable to assume that candidates have certain knowledge. Without seeing it in writing, such knowledge cannot be assumed.

In this case it was the market characteristics which were glossed over with scant scene-setting. There were too many answers lacking even a most rudimentary introduction to provide a foundation for the essay.

Question 7 - Market conditions - responsiveness of tonnage to freight rate movements

This question, which specifically demarked aains, was essentially concerned with the elasticity of supply of shipping it attracted only half the candidates.

Tolerance was afforded to those who correctly identified elasticity as the main thrust of the question but on only to consider elasticity of demand as it applies to shipping although the emphasis in the question was on elasticity of supply. However the question also implied that the prevailing shipping market thus suggesting the need to consider both demand and supply and their interaction to determine the edition of the market
Few answers referred at length to both elements but thankfully majority of the answers used diagrams as required by the question.

**Question 8 - OPEC crude oil decisions implications for world trade and shipping**

Another topical question which required the candidate to apply knowledge. Given the correct identification of the Organisation of Petroleum Exporting Countries (many did not) candidates were then expected to reveal their skills using basic supply and demand analysis in the context of the oil market, the tanker market and world trade generally.

This was a popular question and a good mark generator overall but many candidates let themselves down by not planning and organising their answers well enough. There was too much evidence of reaction to the question rather than a considered response. Some suffered accordingly, forgetting which side of the market equation they were addressing, or producing statements that conflicted with each other rather than supporting and reinforcing.

The better answers showed good, real-world awareness allied to the application of rarely observed supply and demand diagrams.

**Conclusion**

As has been stated on previous occasions, this subject requires study over a period of months not days. Furthermore, not only must candidates cover the syllabus fully but they must be able to utilize their knowledge in an applied manner to real-world events and developments. This requires breadth of reading additional to core texts and course notes.

There was clear evidence of "question spotting" this year which is not to be recommended.