



# ICM

JUNE 2016

MARITIME ECONOMICS

**Instructions to candidates:**

- a) Time allowed: Three hours (plus an extra ten minutes' reading time at the start – do not write anything during this time)
  - b) Answer any FIVE questions
  - c) All questions carry equal marks. Marks for each question are shown in [ ]
1. Explain the principles of economies of scale and discuss their application in the shipping industry. [20]
  2. Examine the factors that influence the demand for shipping and briefly explain what is meant by **derived demand**. [20]
  3. Discuss the impact that a fall in crude oil prices is likely to have on shipping and the world economy. [20]
  4. Market reports show that liner shipping has experienced a fall in East – West container rates. Explain how this may have occurred. [20]
  5. Examine the structure of vessel costs, identifying those that can influence economic survival in a depressed market. [20]
  6. Within the coal market, describe:
    - a) typical cargoes [3]
    - b) the main exporters and importers [10]
    - c) current market trends, issues and developments [7]
  7. Explain the following:
    - a) Opportunity cost
    - b) Absolute advantage
    - c) Elasticity
    - d) Free trade [5 each]
  8. Explain the factors that influence a lay-up decision and comment on the costs incurred when a ship is laid up. [20]