

THE INSTITUTE OF CHARTERED SHIPBROKERS

APRIL 2009 EXAMINATIONS

WEDNESDAY 29 APRIL – MORNING

LOGISTICS AND MULTI-MODAL TRANSPORT

Time allowed – Three Hours

Answer any FIVE questions – All questions carry equal marks

1. Answer both parts

- a) What does the concept ‘just in time’ mean? Explain the benefits of it fully and give examples of its use. Are there any risks associated with it and explain what they are?
- b) How can the latest electronic commerce systems support ‘just in time delivery’? Examples are essential.

2. Explain four of the following concepts, explaining fully their significance in the logistics and multi-modal transportation industry.

- | | |
|--------------------------------------|-----------------------|
| (a) Bill of lading | (d) CMR |
| (b) INCOTERMS | (e) Hague-Visby rules |
| (c) Total Quality Management systems | (f) ISPS Code |
| | (g) Warsaw Convention |

- 3. Explain the meanings of fixed and variable costs with examples. Can these costs be controlled? If so, discuss this in the context of a multi-modal transport business.
- 4. Ports are an important interface in the multi-modal transportation business. Explain the challenges ports/container terminals are faced with at the present time. Examples should be drawn from different geographic locations.
- 5. How will the current economic recession and credit crunch affect the global logistics industry and discuss the survival strategies for multi-modal operators?
- 6. What are the main components of a modern multi-modal transportation system? Explain how the right combinations could contribute to the overall success of a multi-modal transport company.

7. **Answer both parts.**

- (a) What is a contract of sale? Explain how this works in International trade
- (b) Explain the purpose, role and function of the Documentary Letter of Credit and its usage.

8. Countries/economic blocks practice border controls and demand various documentation in import/export formalities. Explain the main reasons for these controls and the hindrance they can have on trade, giving examples.

THE INSTITUTE OF CHARTERED SHIPBROKERS

LOGISTICS AND MULTI-MODAL TRANSPORT (LMT)

2009

EXAMINER'S REPORT

OVERALL COMMENTS

In general, results were somewhat satisfactory this year. A large number of candidates showed a good understanding on logistics concepts and current affairs. But, unfortunately, some candidates seem to have misunderstood certain questions. As usual, some answers were too short, and the content was insufficient to reach the threshold of a pass. A large number of candidates did not bother to bring examples to the discussion which is an important element, especially in professional examinations. Some answers lacked a logical flow needed to understand the standard of candidates' knowledge. The lack of planning hindered the quality of the answer and due to this some candidates could not reach the pass mark.

QUESTION 1 – JUST-IN-TIME CONCEPT AND E-COMMERCE

This was one of the most popular questions and a considerable number of candidates scored well. Candidates were expected to explain two parts of the question. The first part - the 'Just in Time' concept means that goods/raw materials are delivered at the point of use/sale just in time before use/sale. However, this does not mean delivering goods last minute, which will possibly hinder the process. Then the benefits, such as reducing the inventory holding costs and keeping the goods in stock to a minimum, should be discussed in the answer. The main risk is that the production/sale process will get disrupted if the goods do not arrive in time. This could result in loss of customers/future business.

For the second part candidates were expected to discuss, how the electronic commerce methods are supporting the 'just in time' concept. Basically, these platforms are providing support to monitor and track the goods in transit and making sure that things are under control and delivered in time. Examples were essential.

QUESTION 2 –LOGISTICS CONCEPTS AND REGULATIONS

This was a straight forward question. Candidates were asked to explain five out of eight of the following with the importance in the multi-modal transportation and in logistics industry

- (a) Bill of lading – purpose, functions and explanation how it works in multi-modal transportation.
- (b) INCOTERMS (International Contracts terms) – Terms of sales between buyer and seller. How many INCOTERMS available? Purpose - What are the main terms in use? Who pays the freight? Responsibilities of buyer and seller (as a concern to the carrier), Who publishes INCOTERMS?
- (c) Total Quality Management Systems – A total quality assurance system to guarantee customer satisfaction. This brings all the departments of a company together to focus on the customer. How can this be achieved?
- (d) CMR (Conventions on the contract for the International Carriage of Goods by Road) – This is a convention related to Europe and applies to cargo moving across a frontier of two contracting countries.
- (e) Hague-Visby rules – This is a convention related to b/l. This was created with amendments to the Hague rules. This solved some container related difficulties in counting units and carriers liability for damages.
- (f) ISPS Code – (International Ship and Port Facilities Security Code). Individual countries created legislation based on the IMO International code as an extension of SOLAS convention to combat mainly terrorism.
- (g) Warsaw Convention – Related to international air transportation. Air Way Bill must be issued in accordance with the convention. But there are other protocols that have been introduced on top of this.

Most candidates were able to score well from this popular question.

QUESTION 3 – FIXED AND VARIABLE COSTS

Although most candidates had a reasonable knowledge on fixed and variable costs, some could not differentiate the two well. There were quite a few incomplete answers.

Answer should discuss; what do fixed and variable costs mean? Examples should be given. Companies usually do not have much control over fixed costs. But, variable costs can be controlled using various methods. Economies of scale, getting all-in freight rates, advance purchasing are some of the methods of controlling and minimising variable costs. As the large companies have more bargaining power on these, they should be able to provide better services without an additional cost, compared to their competitors. However, fixed costs can be adjusted with time.

QUESTION 4 – CHALLENGES FACED BY PORTS

The question was a wide-open practical one for candidates to show the knowledge in the port industry. There were some well written answers.

Most ports are faced with capacity-related challenges. In some places ports are really congested, some ports suffer due to the bottlenecks in the intermodal infrastructure. In certain parts of the world, ports suffer due to under-investment, poor decision-making, a lack of understanding and central/federal Government policies etc.. But, due to the recession, the growth has slowed down in some ports/locations. Answer should include these issues with examples.

QUESTION 5 –EFFECTS OF THE ‘CREDIT CRUNCH’

Although this was a rather practical and open ended question, for some reason, it was not a very popular question.

Candidates were expected to bring in whatever they can in the right context. Basically, the demand for services is going down due to lower production levels, what can the operators do with the supply? Creative survival strategies were duly rewarded.

QUESTION 6 – MAIN COMPONENTS OF A MULTI-MODAL SYSTEM

Most candidates discussed the need of equipment at length but entirely overlooked the other – non tangible elements. The answer should have included such items as ‘Human resource’ + ‘Physical assets’ + ‘Systems’. These should have been explained in detail and illustration given on how these components could be mixed to get optimum results in terms of success.

QUESTION 7 – CONTRACTS OF SALE AND DOCUMENTARY CREDIT

This was a popular question. But most answers were incomplete. The answers should have covered the following:

(a) At the outset candidates should explain what a sales contract is. This is the initial agreement between seller and buyer before any cargo movement takes place. Then how a sales contract works and its purpose in international trade.

(b) Documentary credit (letter of credit) – This is a frequently used method both sellers and buyers get involved. The document stipulates all terms including the payment to seller. Candidates should explain the main types of letter of credit and their usage.

QUESTION 8 – BORDER CONTROLS AND HINDRANCE CAUSED

This has also not been a very popular question but some answers had a good content. Candidates were expected to explain the reasons for various documentation submissions and border controls. The documentation requirement includes; various standard and quality certificates, country of origin (to make sure customs duty levels, submission of manifest in time (48 hours prior to the ships’ arrival in some countries to carry out necessary checks, if required – anti-terrorist regulations). These procedures may cause difficulties to the practitioners and they need to be discussed. Examples were required.

CONCLUSION

Most candidates have shown the knowledge in basic logistics concept this year, compared with the past few years. However, there were some incomplete/unstructured answers.

It is always prudent to acquire useful techniques that are needed to deal with written examinations. Some displayed time management deficiencies as well.

In general, it is a good practice to commence answers with an introductory paragraph and end with some sort of conclusion to enhance the quality of the answer. This brings a good order and system. But, this was not seen in some scripts. In some cases these structural improvements could have enhanced the quality and brought a few extra marks to jump the threshold to a pass.