

# Examiner's Report

## April 2016

### Logistics and Multi-modal Transport

#### General comment

The level of passes this year showed no improvement on 2015, with similar issues as last year causing problems for a number of students who failed to achieve a pass mark.

The most frequently observed problem is that while answers may show a level of understanding of the subject covered by a question, they are too narrowly focused. Many questions require a discussion from different perspectives, putting forward both sides of an argument. Other questions require a student to elaborate on a number of reasons/factors rather than write extensively on just one factor. For example, in question 2 on border controls should not just write on one reason why a country might impose controls, but should aim to include as many different reasons as possible.

The need for students to include a greater breadth of material to provide a comprehensive answer is a regular theme in the detailed comments on the individual questions below.

This lack of breadth means that in many answers there are just not sufficient valid points made to secure a pass. This is as frustrating for an examiner as it must be for a candidate whose overall result falls short of the required level.

Students also need to be careful about using bullet points. Unless they provide an elaboration to the bullet, they are unlikely to have provided the necessary level of detail to be awarded the designated marks for the point they are making.

There are some other remarks made by examiners frequently but nevertheless they remain valid for this exam paper, and so are repeated here.

The lack of examples in some answers, even when specifically requested in the question is disappointing, and robs students of needed marks. For the topics which regularly recur in exam questions, students should already have some examples worked out in their minds, either from their own experience, or from reading news reports for the sector. Students need to be able to show a knowledge of general trade/industry issues, and this was Sometimes lacking.

As is often the case, there were students who did not take the time to read questions properly, and therefore just wrote what they knew about the subject rather than answering what was asked. It is vital to answer the specific question, as no marks can be awarded for what is written if not relevant to the question.

Another recurring problem is that of time management, where it is evident that final question(s) were rushed, and the marks suffered accordingly.

# Examiner's Report

## April 2016

### Logistics and Multi-modal Transport

#### Question 1

**Describe, with examples, the different elements which may be included in a door to door price quote by a multi modal transport operator, with sea transport as the main leg.**

This was a popular question. Many students provided a good overview of the through transport concept, but then failed to address the specifics of pricing components and calculations.

A quotation would be expected to include inland transport, terminal handling charges, sea freight – together with surcharges, and the additional charges for packing/unpacking, documents, customs clearance and other optional services. A description of **each charge**, what activity it covered and briefly how it was calculated/applied was needed to obtain a good mark for the question.

A number of students focussed solely on the sea freight part of the quotation, and while they may have covered this in great detail, by overlooking all the other parts of the quote, they denied themselves opportunities to secure marks, and therefore were unlikely to achieve the pass mark on the question.

#### Question 2

**Countries impose controls on the movement of goods across their borders for a variety of reasons. Explain the reasons for these controls, and give examples of how they are employed in practise.**

This question was answered by less than half of the students.

There are a number of different reasons why countries impose border controls, which include:

- Safety / Security
- Trade Protection (tariff barriers / other means to limit import of goods)
- Fiscal (i.e. revenue raising)
- Health / Sanitary
- Political (e.g. sanctions)

Students were expected to cover the majority of these reasons, with appropriate examples. However, a number of answers focused on one or two reasons only, thereby, as with question 1, limiting the marks which they could obtain. Many answers focused only on trade protection, and failed to address the other important reasons.

Given the importance which has been attached to enhanced security controls over the past 10-15 years, through ISPS, the 24 hour rule, C-TPAT and other measures it was missed opportunity for marks that some students overlooked these important controls/restrictions over the entry of goods completely.

# Examiner's Report

## April 2016

### Logistics and Multi-modal Transport

#### Question 3

**Answer BOTH parts of the question.**

**Explain what is meant by a 'modal interface' in a multimodal transport system, and then**

- a) Select ONE interface, explain its purpose, and the assets and systems required for its operation;**
- b) Explain the advantages and disadvantages of the interface being publicly or privately owned.**

This was one of the more popular questions, with the best average mark overall on the paper.

Most students who attempted the question chose to describe a port/container terminal, though the alternative of describing a rail head or ICD was equally valid. A few however confused the modal interface with the modes of transport themselves.

Descriptions of the assets required were generally good, but coverage of the systems, which are just as important, were less detailed. A number of different systems are required to make a port or other modal interface operate effectively. Mention should be made of systems to cover statutory information, port community systems, and the operational systems required (tracking and control systems, ship planning etc.).

The second part of the question was less well answered, and though most students understood the main differences between public and private ownership, some gave a simplistic answer and failed to recognise that both have a potential role to play. Also local circumstances may influence which is the better option. There was a lack of 'real life' examples.

# Examiner's Report

## April 2016

### Logistics and Multi-modal Transport

#### Question 4

**Answer BOTH parts of the question.**

**In 2015, freight rates fell dramatically on a number of trade routes, with the result that the financial results of many lines deteriorated.**

**a) Explain, using examples, the causes of these developments;**

**b) As CEO of a loss making container line, what steps would you take to improve the financial results of your business, and why?**

This was the least popular question, with few good answers, suggesting that students need to show more of their knowledge of current issues in the container/liner business, which are well covered in the shipping/transport press.

- a) Students were expected to be able to explain both the supply and demand factors which contributed to the drop in freight rates.

Most answers gave an overview of the main supply/demand factors. However more detail could have been provided on the impact on individual trades (including reference to cascading), and students could have made reference to a number of other factors, e.g. the drop in bunker prices, problems with implementing gri's, uncertainty caused by mergers/alliance changes.

- b) Few answers really got to grips with the steps which container lines need to take. Proposals that lines should increase their sales effort/pursue extra cargo/reduce rates to fill the ships have been proven in practice to be ineffective.

There are no easy solutions, but students were expected to be able to discuss:

- Choosing what business should be carried so as to optimise returns, through use of yield management systems, and other business planning tools
- Restructuring the vessel network to improve cost efficiency and utilisation levels
- Specific cost reduction programs in different parts of the business, including use of procurement methods, outsourcing etc.
- Use of 'smarter operations' to run the business more efficiently at lower costs. Programs such as slow steaming, and reducing container imbalance could be described
- Strategic changes, including Alliance/VSA membership, and merger/acquisition

Some students who listed a number of these action points then did not provide any detailed explanation of the action and/or its rationale.

# Examiner's Report

## April 2016

### Logistics and Multi-modal Transport

#### Question 5

#### Answer BOTH parts of the question

Explain the roles which a bill of lading fulfils for:

- a) a shipper, and
- b) a multi modal operator.

**Which other parties involved in an international shipment also have an interest in the bill of lading, and why?**

This was a popular question, and reasonably well answered. Most students provided satisfactory explanations of the main three roles of a bill of lading, but did not always relate these to the specific requirements of shippers and operators.

Particularly poor was the identification of specific functions which the B/L performs for the operator, for example

- the B/L provides a clear description of the goods – including their condition -which the operator can use, if required, to defend claims
- the role of the B/L performs when surrendered to ensure delivery of the goods to the correct party, so discharging the operator's responsibility.

Most students identified banks as having an interest in the B/L and why. Other parties which should be mentioned, but were often overlooked, included the statutory authorities (customs, health, port authorities), forwarding agents, logistics providers, the notify party and/or consignee stated on the bill of lading, and any other buyer of the goods. A short description of the importance of the bill of lading to these parties was expected, rather than just listing the parties.

# Examiner's Report

## April 2016

### Logistics and Multi-modal Transport

#### Question 6

**Discuss the advantages and disadvantages of a multi-national company outsourcing its logistics operations rather than managing them in house. Use examples to support your answer.**

This question attracted the most answers, though the average mark achieved was poor.

Good answers provided discussion of the pros and cons of both methods of operations. Those who failed to secure a pass mark generally had a pre-determined opinion in favour of one option, and did not therefore present detailed and balanced arguments.

Most students recognised the benefit of outsourcing to specialist providers with global capability; Few however commented that in house management makes it easier to integrate with other parts of the business, for example the production and sales departments. Likewise while logistics providers will have specialist IT systems the use of which should improve logistics management for the company, in house management will make it easier to integrate information systems across the whole company.

The financial consequences were also not well discussed, there being a number of factors to be balanced.

Unfortunately, many answers omitted to include relevant examples to illustrate the points being made.

#### Question 7

**Answer BOTH parts of the question**

**a) Explain the reasons why there are three cargo liability conventions (Hague, Hague-Visby, Hamburg) currently in force. How do you decide which convention applies to a particular shipment?**

**b) Under these three conventions, shipowners can limit their liability to a specific amount. Describe the limits which apply under each convention, and any changes in the limits which have taken place since each convention entered into force.**

This was the least popular question, though the average mark was better for this question.

Most students could give a reasonable background to the development of the three conventions, and why the three are incorporated in the law of different states.

However some students were uncertain as to what determines which convention applies to particular shipments. While most recognised the relevance of the port of loading (and the convention which applies according to the law of the country where that port is situated), the different approach taken by the three conventions for different types of documents, different types of cargo, the place of issue of the B/L and (in the case of Hamburg Rules) the port of discharge was overlooked in a number of answers.

Likewise in answering part (b), most students could state the monetary limits of liability for Hague Visby and for Hamburg Rules, though not all remembered to give the alternatives of per package or per kilo limitation. However the evolution of the limit under the Hague Rules from the original figure of £100 per package, with the subsequent introduction of the Gold Clause, and the use of the Poincare franc for a limited period were overlooked in most answers.

# Examiner's Report

## April 2016

### Logistics and Multi-modal Transport

#### Question 8

**Describe the range of services which would you expect a logistics company to offer, and explain how the development of these services has supported the expansion of global trade.**

Most students made a good attempt at describing the range of services, though some forgot that logistics is more than just door to door transport, and the range of value added services which enable a logistics company to provide comprehensive supply chain management from the point of ordering to the final use/sale of the goods was not so well described.

Answers to the second part of the question were generally disappointing. Many just stated in a sentence or two that logistics is important to global trade. Few were able to enunciate the specific facets of logistics services which have revolutionised the possibility for companies to procure goods from locations in different continents as a viable alternative to sourcing from a factory/supplier just down the road.

Specific factors which should have been mentioned include:

- The availability of regular reliable and frequent services
- Combinations of different modes, enabling factors such as cost and speed to be balanced and providing alternative supply chain solutions
- IT Systems giving complete visibility of stocks in the supply chain, regardless of location
- Containerised services giving a high degree of protection to goods from damage/pilfering
- A real reduction in long distance transport costs, enabling goods sourced from suppliers overseas to compete effectively with locally produced goods
- Full integration of logistics activities with other business functions (production/procurement/sales)