

THE INSTITUTE OF CHARTERED SHIPBROKERS

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Logistics and Multimodal Transport

Examiners Report for Publication

Question 1

This question specifically asked the student to look at the impact of the increased employment of ULCVs on a company's supply chain, answered from the perspective of the manager responsible for that supply chain.

A general description of the pros and cons of ULCVs would therefore not be sufficient to secure a pass. It is the effect on the customer and its supply chain which is **specifically** asked for in this question, not the impact on the lines, and on their operation or financial performance.

The main benefit of larger vessels to the customers' supply chains comes in the form of reduced freight rates, which are a consequence of the cost reductions achieved by the lines. For customers concerned to minimise the carbon footprint of their supply chain, they will gain additional benefit from the fuel economies of ULCVs. Larger ships may also result in additional space being available to customers, which would support their business expansion, and ensure that short shipments are minimised, though this is not a foregone conclusion.

The risks to a supply chain are more diverse. Reference should be made to the following:

- The likelihood that larger vessels will lead to fewer weekly services, and may increase the rate of consolidation between lines, reducing choice for customers
- Customers may lose direct services, if the ports they use cannot accommodate larger vessels
- Larger container exchanges can lead to congestion in container terminals, with consequent supply chain delays, and possible increased costs on landside movements
- Ports and terminals have to make substantial investments to accommodate the larger vessels which can increase the costs of their services

The question makes specific reference to the smaller trades, and the risks are particularly apparent in these trades, where large vessels are being cascaded into trades which struggle to accommodate them.

Examples of the impact on specific trades and ports would earn additional marks.

Question 2

In the first part of the question, the student was expected to explain **why** there are international cargo liability conventions. This is to ensure that there are minimum terms in a contract which specify the rights and responsibilities of both the shipper and the carrier. While historical reference to the development of the conventions is relevant, a description without explaining their purpose would not be sufficient.

The second part of the question specifically asked student to highlight the differences in the terms of the four conventions. The only way in which this can be done effectively is to select a specific term (e.g. Monetary Limits of Liability), and then state how each of the four conventions deals with this term, highlighting the differences, and setting out why they are different.

This should then be repeated for a number of different terms, which should include:

- Monetary Limits of Liability
- Scope of application (to different contracts of carriage, and to types of cargo)
- Liability for delay
- Liability for errors in navigation
- Carriers' defences
- Protections for agents/servants of the carrier (e.g. Himalaya clause)
- Time limits for notification/claims
- Jurisdiction
- (and others)

An essay structure where the terms of each convention are described one after another before moving on to the next convention makes it extremely difficult for the examiner to determine if the differences between the specific terms of the conventions are properly understood, and a student who approached the question in this way was unlikely to maximise the marks which they could earn.

Question 3

This question asked the student to focus specifically on the events in the container industry in the last two years. The most newsworthy events have been:

- Mergers and Acquisitions
- Restructuring of Alliances (2M, Ocean, THE)
- Major Bankruptcy (Hanjin)
- Opening of new locks at the Panama Canal

Descriptions needed to be specific as the events/lines involved.

These are not the only 'events' which could be considered, and some answers focused on the wider cost/revenue environment, discussing the reduction in freight rates, the impact of larger vessels, and deteriorating profitability of carriers. However these are longer term trends, and answers which focused on these developments needed to state specifically how these had manifested themselves in the specific two year timescale of the question.

The second part of the question referred to the 'ongoing effect' of these events, specifically addressing the effect on lines, customers and suppliers. Suppliers could include terminal operators, owners of chartered tonnage, inland transport providers, or any other contractors.

In addressing the knock on effect to customers and suppliers, reference should be made to the consequences of having a smaller number of larger carriers, the reduction from four to three Alliances, and the way in which all the different stakeholders might protect themselves against a future major bankruptcy of a carrier.

Question 4

This question was intended to test students' knowledge of specific types of bills of lading, and of waybills, in order to contrast the specific features of the three pairs of documents given in the question.

It therefore required students not only to be able to set out the three functions of a bill of lading, but how these are applied in the different documents in the question, along the following lines:

- (a) The main distinguishing feature between a bill of lading and a waybill is that a waybill is not a document of title, while it fulfils the other two functions of a bill of lading
- (b) A straight bill of lading is not a negotiable document, although it does fulfil the three functions of a bill of lading, being a document of title
- (c) The fundamental difference between a 'through transport' and a 'combined transport' bill of lading, is that in the former, the carrier issuing the bill of lading acts as agent for any pre-carriage/on-carriage, while in the case of the latter, the carrier is liable as principal from place of acceptance to place of delivery

An important part of the question was to give examples of how the different documents are used in practice

Question 5

For all the terms/abbreviations in this question, the answer should include

- The full title for any abbreviation used
- For documents, their originating organisation, date entered into force etc.
- A full description of the purpose/role represented by the term/abbreviation
- Its relevance to multimodal transport

Looking at each part of the question in turn, the following should be covered:

(a) UCP600

- Uniform Customs and Practice for Documentary Credits
- Role of ICC, date of introduction
- Purpose of UCP600 in providing standard procedures/interpretation for documentary credits
- 39 Articles – give examples of most important from a multimodal transport perspective

(b) INCOTERMS 2010

- Standard terms for contracts of sale of goods which need to be transported
- Produced by ICC – latest version
- Incoterms set out who arranges and pays for transport, and at what point responsibility/risk passes
- 11 rules - how to group and categorise them
- Examples with most relevance to multimodal transport

(c) FMC

- Federal Maritime Commission
- US Federal Agency, responsible for regulating international maritime transport to/from USA
- Describe its objectives and particular functions (reviewing agreements between lines, overseeing tariffs, service contracts)
- Relevance to multimodal transport (specifically FMC controls VSA/Alliance Agreements, conference rate agreements etc.)

(d) Warsaw Convention

- International Convention which sets standard terms, including liability, for carriage by air
- When signed/came into force/amended
- To what shipments does it apply (including multimodal transport)
- Limitations of liability
- Documentation required

(e) THC

- Terminal Handling Charge
- Used to describe charge by terminal to carrier, and by carrier to shipper
- What physical activity is covered
- How it is set and charged

(f) Landbridge

- Definition – multimodal route including extensive overland sector
- Competition between air, sea and landbridge – rationale for different uses
- Examples – US landbridge, rail route between China and Europe, and others
- Potential future developments

Question 6

This question expected students to consider the effect of the expansion of the Panama Canal on **all** the relevant trade routes. The most significant is the Asia/East Coast North America route, because of the large volumes in this trade, the different routing options available and the upgrading in vessel size which has already started. This will reduce the cost of the all water service via Panama compared with both the route via Suez, and the intermodal route via West Coast North America ports.

However the impact on the smaller trades which are routed via Panama should also be discussed – there has already been upgrading of vessel size on the Europe/West Coast South America route. The increased use of transshipment hubs in the region should also be explored.

Marks were available for showing affected trade routes, and relevant ports on a map – accuracy was needed in marking both the routes and the location of the main ports.

While the lines and their customers are the most obvious parties affected by the expansion, the answer should also cover the effect on other parties such as the Suez Canal, owners of Panamax tonnage, port/terminal operators (particularly those on the US East Coast, and those which operate as hubs in Central America and the Caribbean).

Question 7

This question required the student to consider all the various different types of information which can influence how prices are set. This should include information on:

- The cargo itself (types of container, volumes, weight, special handling)
- The costs incurred in moving the cargo
- The customer (levels of business across all trades, service requirements)
- The competition (rates charged and levels of service provided)

All this information should be used as an input when setting a price. Particular mention should be made of Yield Management techniques, and how to determine a premium or discount related to service quality differences, as well as the value of long term relationships with customers.

Question 8

The first part of the question required a definition of logistics. There are many ways to provide such a definition, but it is important to mention that logistics covers more activities than just the transportation of goods, and covers the management and information services needed to support a supply chain, as well as the physical activities, which can extend to warehousing, packaging, etc.

There are many factors which link logistics and multi modal transport to the development of global trading and sourcing of goods. These include:

- Cost effectiveness to enable transported goods to compete with local supply of goods
- Service factors (speed/frequency/reliability of services)
- IT developments
- Modal options available
- Value added services to support the supply chain
- Protection of cargo – from damage and theft etc.
- Adequate route capacity to support trade development