

THE INSTITUTE OF CHARTERED SHIPBROKERS

LOGISTICS AND MULTIMODAL TRANSPORT (LMT)

2007

EXAMINER'S REPORT

OVERALL COMMENT

The overall outcome/scoring level was not very satisfactory in this year. A large number of candidates produced incomplete and/or 'out of focus' answers without any good understanding of the questions. And, some answers were too short; almost half – single page and the content was insufficient to gain a pass. Some of these carried the logical flow needed, but lacked examples/ illustrations and therefore, candidates could not achieve the pass mark. Also, properly planned essays were seldom seen.

QUESTION 1 – FIXED AND VARIABLE COSTS

This was not a very popular question. Most candidates produced incomplete or poor answers. This question demanded meanings of fixed and variable costs at the outset. But, in general, this approach was not seen in many scripts. Then the cost items of both should have been listed separately. Unfortunately, only a few had the right knowledge to do this. Some listed setting up costs as fixed costs of the company and got fixed and variable costs mixed up!

Companies usually do not have much control over fixed costs as these do not change with the volume of business. But, there is room to control variable costs using various methods. Some of the ways of controlling variable costs includes getting the benefits of 'economies of scale' in different areas and 'all-in freight rates' as a service provider to many companies. Advance purchasing is another method of controlling and minimising variable costs - the prices would be more competitive in this process. 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.

Unfortunately, examples provided and illustration by some candidates were not very impressive.

QUESTION 2 – ADDING VALUE TO SERVICE IN EUROPE AND NORTH AMERICA

This was one of the least popular questions this year. Lack of knowledge outside candidates' own territory could be a reason for this. However, this was an open question where candidates were expected to bring in their creativity.

European and North American markets seem to be mature and developed being equipped with modern transport and service networks. Almost all the players have

access to these facilities and it is difficult to differentiate one service from another, unless a difference is made in service quality and added value.

Basically, candidates were expected to discuss how service quality could be enhanced in these markets with examples and illustrations. Less creativity was noticed in the answers – ‘not thinking outside the box’ was one of the reasons. Most answers were limited to traditional stereotype explanations.

The main component that is to be discussed in here was the creative human intervention in business to serve customers better. This may be the only area that could be made different by companies in today’s context.

QUESTION 3 – PROSPECTS FOR SMALL & MEDIUM SIZE OPERATORS

This is another open question where candidates should bring in their own creative thinking. But, a large number of candidates did not understand the question well. They looked at the question basically, from the point of view of a shipping line. But, the question demanded to state the prospects and implications for the small and medium size **multimodal service operators**.

As the unitisation and containerisation process is growing rapidly, multimodal operators can expect enhanced prospects. In certain parts of the world such as China and India high GDP growth levels can be seen these days and more multimodal activities are taking place. Both these countries forecast very high container volumes in to the future. But in answer scripts, hardly anything was written in these lines.

As the volumes are getting larger and larger, there can be problems at the delivery end. Problems in cargo tracking, JIT delivery and providing the right service quality are inevitable, unless companies invest sufficiently. However, Investment capacity for the small and medium size operators is limited vis-a-vis multinational global companies. But they will have to compete with each other. This should be a highlight in the answers.

Unfortunately, most answers were without these essential elements.

QUESTION 4 – INCOTERMS

This was the most popular question this year. There were two parts to this question. Explaining all 13 INCOTERMS was the first part. The second part demanded the reasons, with illustrations and examples as to why different INCOTERMS being used under different circumstances.

But, most candidates have decided to deal only with the main ones (5 or 6) that are commonly being used. A large number failed to explain the reasons and bring in examples/illustrations.

Merchants use different terms in different circumstances. For instance, ‘FOB’ Term can be used when the buyer has a large volume coming in and use that bargaining

power to negotiate with shipping lines/carriers for better freight rates and terms. Ex-Works or DDU (DDP) gives either the buyer or seller total control of the through logistics.

QUESTION 5 – CFS OPERATION

This was one of the very popular questions. Candidates should explain the following CFS functions with illustrations.

Imports

Getting LCL laden containers discharged from ships in the CFS premises

LCL cargo – storing cargo in loose form and releasing

Transshipment – releasing cargo for entrepot and value adding operations

Exports

LCL cargo - receiving from exporters for consolidations

Warehousing for future shipments

Transshipment – receiving after value adding etc.

Warehouse and yard management aspects/functions/systems and transportation functions should be fully explained.

However, answers were incomplete though it was more or less a practical question. A logical explanation was demanded but only a very few came up with a reasonable content. However, most candidates recognised the fact that CFSs should be equipped with modern systems to track and trace.

QUESTION 6 – THE LEVEL OF UNITISATION AND CONTAINERISATION

The current level of unitisation and containerisation and how this has facilitated the international trade should be discussed with examples and illustration covering all modes. Candidates were supposed to compare and contrast the level of development, and pertinent issues in different geographic locations/countries.

Most candidates covered only shipping and air transport mode for the first part. Good answers were seldom seen for the second part of the question. The level of unitisation and containerisation could be different from country to country or region to region. E.g. in India, containerisation process is still going on for last 20-30 year. They have plans in place to accelerate the process and include different commodities.

QUESTION 7 – CONVENTIONS

Candidates should have a thorough knowledge of the conventions and explained two of the conventions and how they work, in detail. There was a need to discuss the conventions and demonstrate how they impact the industry with necessary illustrations, highlighting two key parts.

The discussions were not very satisfactory in general. However, some managed to explain two conventions to a satisfactory level. But, the second part of the question was hardly touched.

CMR and Hamburg Rules were the most popular conventions.

QUESTION 8 – ‘INTEGRATED SUPPLY-CHAIN MANAGEMENT CONCEPT’

The ‘Integrated Supply-Chain Management Concept’ should be fully discussed. The following must be covered.

- (a) Transport, storage and distribution methods (strategies)
- (b) Distribution network management
- (c) Warehouse operation management
- (d) Supply Chain Vulnerability and Risk Assessment

This was not a popular question at all and the answers were really shallow more often than not. The best answers covered some aspects of all four above areas but were incomplete. However (a) was basically covered in almost all scripts.

Conclusion

In general, essay structuring and planning was not up to standard. Some candidates reproduced the examination questions on the answer script as in the past wasting valuable time available to deal with the questions. However, there can be different reasons for this and some could be personal to individuals. So, this is a general comment.

Examiners always expect a reasonable level of preparation from candidates. But, unfortunately, this was not to be seen in a large number of cases. It is always prudent to acquire useful techniques that are needed to deal with 3-hour written examinations.

Also, reading the questions a few times until a good understanding is achieved is very important before selecting the five questions.

Most candidates have not taken trouble to commence with an introductory paragraph or to sign off with a conclusion, where necessary. In some cases these could have enhanced the quality and brought the few additional marks, perhaps some would have fallen short to gain the minimum pass mark!