

### General Comments

The level of passes this year was again disappointing, though showing an improvement on 2014. None of the questions should have come as a surprise to candidates who had properly covered the syllabus. And while most answers showed some relevant knowledge, many candidates appeared to lack the breadth and/or depth of knowledge of the subject which was needed to secure a pass.

Several questions called for practical examples, which candidates were expected to use to illustrate points or arguments being made. While some candidates were able to write descriptions of businesses with which they were familiar, often these were not properly linked to the arguments being put forward. As is often the case, there were candidates who did not take the time to read questions properly, overlooking part of a question or not answering the specific question asked. Examples of where this happened are given below. Some candidates failed to manage their time properly, as a result of which the final question(s) were rushed, and the marks suffered accordingly.

### Question One

E-commerce is now so central to the logistics business, it was a surprise that this question did not produce more good quality answers, and only around 1/3 of candidates attempted it.

Too many answers talked in general terms of the advantages of email, of having a website, and of buying/selling on the internet, without relating their answer specifically to how E-commerce has revolutionised the specific activities of multi-modal transport and logistics.

Answers which scored high marks described how specific products had impacted on the logistics business (booking systems, documentation, supply chain management, real time information systems etc.) and looked at how both provider and user has benefited, with reference to the particular challenges of an industry where there is an absolute need for accurate, reliable information to be available in real time to all parties in different locations.

Part B was a clear example of a question which was not properly read. The question asked for information on three products, while some answers described one product, and others just listed a number of products without given the detail required.

Answers to Part C were poor, and in some cases missing. Whatever, new product the candidate might suggest, it was expected that it be clearly described, and specific benefits put forward.

### Question Two

Some candidates failed to provide the level of detail required. A number of answers did not state explicitly the importance in the logistics and multi-modal sector.

ISPS – Most candidates could give the name of the code in full, explain its origins, and that it forms part of the SOLAS Convention. However a number of answers showed only the haziest notion of what the code entails. A short summary of the respective roles of governments, RSOs, ships and ports was expected, together with a summary of the different security levels

IMO – The basic description of what IMO is, and its role as a UN Agency, were generally correct. However, poor explanations were given as to its specific function in maritime regulation, and many answers failed to mention the key IMO Conventions (SOLAS, MARPOL, STCW). Hamburg Rules – Most candidates could explain their background, and development in response to the perceived shipowner bias in Hague/Hague Visby. However, their underlying purpose as a cargo liability convention, how and when they apply, and the key liability terms in contrast to Hague/Hague-Visby, were less well covered.

UCP600 – candidates were expected to explain the purpose of UCP600 in the operation of a Letter of Credit, how

they have been developed, the documents to which they apply, and illustrations of the key provisions.

CMR - key details required include the full name of the convention, its origin and development, and the type of journeys to which it applies, as well as relevance of the consignment note, and the main liabilities and exclusions.

3PL – the answer was expected to cover the type of organisation which can be called a '3PL', its role in multi-modal transport and logistics, and its key functions, as well as a comparison/contrast with other types of organisations involved in the logistics business.

### Question Three

This was a popular question, and also the one which scored the highest average mark. Most candidates could give a description of the two contracts, and of a Letter of Credit, though the level of information provided was variable.

A good answer should list the key elements you would find in the agreements, and particularly how they address the challenges of international trade, where goods are traded over long distances, with different parties involved, and embracing different legal systems. The role of INCOTERMS, UCP600 and cargo liability conventions should also be mentioned. Less well answered was the relation between the contracts and the Letter of Credit. However several candidates who scored well on this part supported their answer with a diagram – a good way to demonstrate a grasp of the linkages involved.

### Question Four

This question achieved the lowest average mark in the exam. A number of the answers glossed over the requirement to 'discuss this statement' – which was a clear invitation to set out the advantages and disadvantages of holding inventory. While there are good reasons for holding a level of inventory when trading in finished goods, it is important to state as well the opposite side of the argument – financing and storage cost of inventory, risks of damage to stock, obsolescence, perishability etc.

Some good answers were written focused on **how** you would reach a decision both on the level of inventory and where to hold it, but others just gave a description of inventory management in their example business, without addressing the logic behind the decisions. Determination of the level of inventory needs to consider both demand factors (forecasting accuracy, seasonality, product life) and supply factors (supply lead time and reliability, modes of transport, alternative supply sources) as well as the nature and value of the goods.

Choice of where to hold the inventory needs to consider centralised and distributed storage options, and the pros and cons of each, as well as how specific storage locations should be determined, which may relate to physical proximity to consumers, to points of entry, the role of free trade zones, and whether additional supply chain activities need to be carried out (sorting, quality checks, packaging, pricing etc.). This section was given insufficient attention in many of the answers.

### Question Five

The answers to part A were disappointing. There are a large number of factors which might be relevant to a particular business as well as price (transit time, reliability, frequency, space/container availability, ports served, inland transport options, ease of doing business, e-commerce products etc.) and few candidates answered the question to 'offer advice' to the client on these factors.

Some candidates gave their preferred carrier by name, without a good analysis of the reason for their choice. In a perfect world of course you would choose the carrier with both the lowest price, and the best service factors, but in reality this does not happen, and the answer should set out **how** you should weigh up the price against other relevant factors (time value of the cargo, importance of reliability, supply chain management considerations etc.)

Most candidates answered part B in terms of the option of air freight, though the reasons **why** you might use air freight (not only urgent consignments, but decisions based on value, volume/weight ratio, perishability, obsolescence etc.) were not well covered. A few candidates were aware of the block train services from China to Europe which have recently been launched – those that were generally described the services and their benefits well.

### Question Six

This was a popular question, and there were a number of good answers. The worst omission was from candidates who failed to explain that the NVOCC is a 'principal' and what this means in terms of the relationships between the actual carrier, the NVOCC and the customer, and incorrectly stated that the NVOCC took no legal responsibility, with claims referred to the actual carrying line. While descriptions of the basic services provided were generally good, few answers covered the range of value added services which NVOCCs now provide, and which they use to distinguish their offering from that of the carriers. Most answers considered the advantages and disadvantages in terms of the different services offered by NVOCCs in comparison to the carriers themselves. It was also important to consider what added value an intermediary can offer (expertise, specialisation, choice of modes/carriers, buying power/leverage with carriers) and also the downsides of working through a 'middle man' (longer communication chains, profit taken by the intermediary, financial security).

### Question Seven

This was another question where a number of answers failed to address the real substance required, with the result that it was one of the poorest scoring questions. The 'one sentence' definitions of what is a fixed and a variable cost were generally adequate. However too many answers just followed this with an abbreviated list of what costs were considered we fixed/variable, without addressing what makes them fixed or variable and in what circumstances.

A clear example of the confusion which arises was in the definition of voyage costs (bunkers, port costs, supplies etc.) which were generally defined as variable costs. That might well be a correct definition for a tramp operator. But for a liner service, the 'unit' of variability should be regarded as the number of loaded containers/units shipped and not the number of voyages, as voyage costs will not change materially with the number of containers carried on the voyage. Of course voyages can be cancelled, and schedules rearranged to reduce these costs. These, and other similar categories of cost, are therefore not directly variable with the unit of production, but can be varied over time – so introducing the need to discuss 'semi-variable' costs. This more thorough analysis of what makes a cost fixed or variable, and in what circumstances, was generally lacking.

Likewise the reference to different types of operators was a clear invitation to consider how the distinction of what makes a cost fixed or variable may change according to the operator's business model. This needed to be linked back

to whether the operator's assets are owned, leased (for how long) or where capacity is just purchased as required. The contrast between the split of costs for a shipping line (or airline) and an NVOCC provides a clear example, where costs which are fixed (or at least semi variable) for a line will be variable for an NVOCC which just buys the slots it needs. On the other hand the NVOCC may have higher fixed costs committed to the 'value added' services (for example, owning, or having a lease on warehouse space and warehousing services). There are similar differentiations between types of road and rail operators.

The final part of the question tripped up a number of candidates, who read it as an opportunity to describe **any** steps which an operator might take to reduce costs, while the question specifically asked for ways to reduce the costs of **providing containers**. Therefore a description of (for example) slow steaming as a means to reduce costs was awarded no marks. There are plenty examples of ways to reduce container costs, as asked for in the question. These can include reducing the costs of the owned container fleet (e.g. extending the working life of the container), varying the owned/leased mix, improved management/IT systems, ways to reduce imbalance costs (through leasing in/out, cabotage), and securing additional business which will provide some contribution to the costs of moving containers from surplus to deficit areas.

### Question Eight

This was another popular question, and generally adequately answered. There was a strong focus on the physical infrastructure, equipment and labour requirements, though it was important also to relate these to the services provided, and how to ensure they were attractive, particularly to the shipping lines. More could have been written on the value added services provided by ports, particularly port community IT systems (and their purpose), free trade zones, distri-parks etc.

Answers on the challenges of larger vessels also concentrated on those directly related to the vessels' physical size (depth of water, quay length, outreach of cranes), and the added volumes (more equipment/land/labour etc.).

However the larger vessels also bring additional challenges in handling a more concentrated peak in volumes, needing ways to improved productivity, better management system, improvements in gate capacity to handle peak volumes etc., and these were often overlooked.