ICS Examiners Report
Logistics & Multi-modal Transport 2010

Overall Comments
Overall the results were better than the previous years. A reasonable number of students displayed an in-depth understanding of areas of the syllabus and good knowledge of the contemporary issues of the industry. But, some candidates produced short/inferior answers as usual and, as a result they could not reach the pass mark. The usage of examples/case studies was slightly better than the last few years. But, a large number of answers did not have any structure or a logical flow even though the content was relevant to the question. These shortcomings affected some candidates and the final result became sour for them.

Question One – Outsourcing in Logistics
This was one of the open-ended questions, which has not been so popular among the candidates, although it has been somewhat traditional in this subject. Candidates were expected to discuss the activities and role of 3PLs, 4PLs, etc, in outsourcing operations and give case studies/practical examples wherever possible. In addition, candidates were expected to compare and contrast the practical situations between the developed world and the developing world. The list of issues discussed in the answer should have included investment, skills of the workforce, infrastructure challenges, reliability factor, professionalism etc. Examples from different geographic locations were essential. But, most answers did not incorporate a reasonable discussion or examples.

Question Two – NVOCC
This has been a popular question. The practical nature of the question might have tempted the candidates to choose it. The business opportunities for Non Vessel Operating Common Carriers (NVOCC) in the liner shipping business are increasing rapidly. They have been able to attract a large number of customers in recent years with many small to medium sized shippers working with NVOCCs, given their limited bargaining power with liner operators. NVOCCs are more flexible compared with mainstream container vessel operators for importers/exporters. A large percentage of candidates reasonably discussed the advantages and disadvantage in using NVOCCs with examples.

Question Three – Security in Multi-modal Transport
With the 9/11 the entire security landscape of business changed. Europe and the United State initiated a number of measures to strengthen the security standards of the whole supply chain. This question demanded a good discussion of ISPS requirements, C-TPAT, AEO arrangement in EU and other regional arrangements, Immigration (stowaway) controls measures. In addition, candidates were expected to discuss the impact of these measures on trade such as delays, costs etc. with examples.

This has been one of the least popular questions and the knowledge showed was not impressive.
**Question Four – Logistics Concepts/Regulations**

Another question that was popular among the candidates. They were asked to explain four out of six of the following with the relevance to multi-modal transportation and logistics industry.

(a) Proposed Rotterdam rules: This is the new convention that is being introduced to govern bills of lading. If ratified and accepted by main trading nations, this is expected to replace all other previous conventions. The proposed Rotterdam rules are flexible to cater to specific needs of parties.

(b) UCP (Uniform Customs and Practice for Documentary Credit) 600: This was introduced in 2007 repealing UCP 500, to govern the issuance and usage of letters of credit (L/C). UCP 600 addressed some pressing issues.

(c) Letter of credit: Letter of credit is a document used to guarantee payments and other contractual obligations in international trade.

(d) TQM: A total quality assurance system to guarantee customer satisfaction. This brings all the departments of a company together to focus on the customer.

(e) JIT: ‘Just in Time’ is a concept that is adopted to minimise inventory holding cost etc. But, the system should be streamlined to get the optimum benefits as delayed deliveries would create detrimental effects.

(f) WTO: World Trade Organisation which is primarily set up to remove the barriers in international trade.

**Question Five – Fixed and Variable Costs in Liner Shipping**

This was an open-ended and practical question. But, most candidates failed to relate the fixed and variable cost situations to the question. In other worlds they ignored the first sentence; ‘Mainly due to overcapacity, mainstream container vessel operators have been losing money over the past 12 -18 months.’ Almost all the container ship operators were incurring losses mainly due to overcapacity and so cost reductions were vital for survival. Candidates were required to explain how the fixed and variable costs of ship operators could be controlled and this needed to be supported with examples.

**Question Six – Pricing in Multi-modal Transport**

A multi-modal transport service can be complex as there are different modes and interfaces involved. Therefore, cost items are numerous and complex, but it is imperative that all cost components are taken into account when pricing services. Candidates were expected to explain the challenges involved in this process.

Most candidates limited the answers to one or two modes (did not forget the sea leg) and forgot the other modes. Also, there were very little mentioning about the costs at interfaces.

**Question Seven - Future of paper-based documentation and electronic means**

Usage of paper documents is tailing off gradually in the multi-modal transportation sector. The industry is setting platforms for paper-less and electronic transactions (electronic submission, e-bs/l, e-invoicing etc. etc.) Candidate were required to explain the current developments and future possibilities in this direction. Also candidates needed to discuss the legal implications of electronic commerce applications and assess whether new developments will minimise corruption, fraud, etc.

A small number of good answers have been seen. But, most candidates forgot to discuss the potential risks involved in electronic bills of ladings and the possible bottlenecks that may surface in the negotiation process in banks etc.
Question Eight - Owning/leasing maritime containers and public and private ownership transport sector

There were two parts to this question;

(i) Multimodal operators have two options; either owning or leasing maritime containers. Both options have advantages and disadvantages. These should be listed and explained. Most candidates got the important points in their answers such as investment requirements and long terms responsibilities.

(ii) Candidates were needed to discuss the advantages and disadvantages of public and private ownership in transport sector. A very few good answers were among the submissions. Most candidates failed to include examples to elaborate their point.