

UNIVERSITY OF COLOMBO, SRI LANKA
FACULTY OF ARTS

FOURTH YEAR EXAMINATION IN ARTS (ECONOMICS)-2021/2022
(End of First Semester)

ECN 4184 – ECONOMICS OF SEA AND AIR TRANSPORT

TIME ALLOWED: TWO (2) HOURS

PART - I

Question No. 1 -[30 Marks] - This Question is COMPULSORY.

Given below is the Cost Sheet of Safe Solutions Maritime Ltd., for the services it caters to the Shipping Industry in Singapore. You are required to provide management information on Revenue & Costing using the given information in the table below.

Standard Cost	Rate	Yard Operations [Y]	Consolidation Services [C]	Agency Operations [A]
Labour	\$3 /hrs (in hours)	40	50	120
Direct Cost	\$ 4 / unit (in Units)	40	70	70
Fixed Cost in \$		100,000	60,000	20,000
Output Units		400	200	100
Selling Price \$ / Unit		700	1000	1200

- (i) What is the Contribution per unit of Y, C and A? [6 Marks]
- (ii) What is the total contribution of Y, C and A? [3 Marks]
- (iii) What is the profit of Y, C and A? [6 Marks]
- (iv) Calculate the labour hours available for Safe Solutions Maritime Ltd. [3 Marks]
- (v) If labour hours are scarce and limited to the orders accepted, what is the contribution per limiting factor? [6 Marks]
- (vi) Explain how you would maximise profits in short-term using Contribution per limiting factor calculation. [6 Marks]

PART - II

Answer any TWO (2) Questions from this Part

Question No. 2 – [25 Marks]

Strategic location is an advantage for island nations to get involved and gain benefits from the maritime industry. However, the competitiveness of the industry emphasizes that geo-positioning is not a sufficient condition to actively engage in maritime business. It is vital to satisfy the requirements of the shipping lines.

- (i) Briefly explain the factors that influence maritime transportation. [5 Marks]
- (ii) Examine the determinants considered by shipping lines when selecting a port. [8 Marks]
- (iii) Critically examine the strategies to be implemented to promote Sri Lanka as a maritime hub. [12 Marks]

Question No. 3 – [25 Marks]

- (i) What are the different geographical factors that affect the freight rates and discuss how each factor will determine the final freight rate. [7 Marks]
- (ii) “During the Post-Covid era, the freight rates have recorded an unprecedented rise”. Justify the above statement considering the ship supply. [9 Marks]
- (iii)
- a. Compare and contrast the main characteristics of liner shipping and Bulk shipping. [4 Marks]
- b. Explain why is the dry cargo market considered to be perfectly competitive? [5 Marks]

Question No. 4 – [25 Marks]

- (i)
- a. In the context of the air transport industry, what is meant by deregulation? [5 Marks]
- b. Examine the major merits, and demerits, if any, that are associated with deregulation of the air transport industry. [10 Marks]
- (ii) Discuss the nature and types of competitions that the air transport industry (mainly airports and airlines) is facing currently. [10 Marks]

PART - III

Answer any ONE (1) Questions from this Part

Question No. 5 – [20 Marks]

Explain **any five** topics out of the following.

- (i) Constituents of civil aviation system [4 Marks each]
- (ii) Bilateral Air Services Agreement
- (iii) Convention on International Civil Aviation
- (iv) Freedoms of the Air
- (v) Control measures used to mitigate adverse impact of aviation on environment
- (vi) Special characteristics of air transport industry
- (vii) Contribution of the aviation industry to socioeconomic development of a country
- (viii) Nature and Types of Airline Costs

Question No. 6 – [20 Marks]

Distinguish the difference between the followings.

- (i) Available Seat Kilometer (ASK) and Revenue Seat Kilometer (RSK) [4 Marks each]
- (ii) Available Tonne Kilometer (ATK) and Revenue Tonne Kilometer (ATK)
- (iii) Unit Cost and Unit Revenue
- (iv) Unit Revenue and Yield
- (v) Load Factor and Break-Even Load Factor

Question No. 7 – [20 Marks]

- (i) Examine the different characteristics of a Low-Cost-Airline compared to a Full-Service Airline. [10 Marks]
- (ii) Explain the Key Performance Indicators used to measure Airlines' Efficiency and Productivity. [10 Marks]