

UNIVERSITY OF COLOMBO

FACULTY OF ARTS

THIRD YEAR EXAMINATION IN ARTS (ECONOMICS) 2016/2017

END OF THE SECOND SEMESTER

ECN: 3263 ECONOMICS OF SEA AND AIR TRANSPORT

TIME ALLOWED: TWO (02) HOURS

Answer Two (2) questions from Part I and Two (2) Questions from Part II

PART – I

(Answer any TWO Questions from this Part)

Question No. 1 [20 Marks]

- (a) What is Inter-modal transportation? [5 Marks]
- (b) Examine the process of an export shipment and the options available to use different transport modes focusing on their economic benefits. [7 Marks]
- (c) “Terminals or interchanges occur in all modes”. Explain this statement using the basic knowledge in Inter-modal Interaction and Interdependence. [8 Marks]

Question No. 2 [20 Marks]

Answer any TWO (2) of the following:

- (a) Name two main man-made canals that are used in shipping, identify their locations, and explain how each Canal help routing of ships between different trades. [10 Marks]
- (b) Baltic Sea and Red Sea are two different seas that are busy with lots of shipping. Identify 3 differences that are relevant for shipping between Baltic and Red Seas, and name four ports located in either of the two seas. [10 marks]
- (c) Select one of the main cargo types such as Crude oil, Iron Ore, Coal, Grains etc, and briefly examine the relevant origins, destinations, shipping routes, ship types and required port facilities, for transporting the selected cargo type. [10 marks]

Question No. 3 [20 Marks]

Answer any FOUR (4) of the following [each carries 5 Marks]:

- (a) What are the main authorities involved in Border Control? Examine how they intervene and what role do they play.
- (b) Sri Lanka, being an island, has a geographic advantage in relation to Border Control compared to countries with land borders. Examine.
- (c) Examine the main purposes of levying Custom Duties. Examine how custom duties could positively contribute towards socio-economic wellbeing of a nation.

- (d) Examine how custom duties are determined. What are included in 'Transaction Value' when determining Customs Duties?
- (e) Why is it important for a country like Sri Lanka to guard its Coast? What are the main functions and duties of Coast-Guards?
- (f) What do you understand by "Quarantine"? Discuss the purpose "Quarantine" serves, and explain why it is necessary to maintain "Quarantine"

Question No. 4 [20 Marks]

"International rules relating to trade between different States have evolved into the granting of various benefits in harmonizing trade activities between different individuals of those States while promoting cordial relationships between such States."

Considering this statement, answer any FOUR (4) of the following [5 Marks each]:

- (a) Explain the term CIGS and its relevance in international sales contracts.
- (b) Discuss the role of the World Trade Organization in harmonizing international trade.
- (c) Examine the main advantages and disadvantages of Free Trade Agreements.
- (d) What do you understand by 'trade barriers'? What implications do they have towards international transportation?
- (e) Explain the use and means of 'Most Favoured Nations' concept.
- (f) Discuss briefly the relevance of GATT in international trade

PART – II

(Answer any TWO Questions from this Part)

Question No. 5 [30 Marks]

- (a) Freight Rates in the liner industry are largely governed by its demand and supply. Discuss the current supply and demand trends, while citing the scrapping in the liner shipping industry. [10 Marks]
- (b) Global fuel oil prices were considerably down during past years impacting number of economies. However, this helped shipping industry to keep nose up amidst prolonged low freight rates. Discuss 5 factors, including "Bunker Prices" that influence the freight rates. What would be your predictions on the trends of freight rates in 2018? [10 Marks]
- (c) In the light of the new liberalization policies of shipping in Sri Lanka, number of ship owners are seeking to register their ships under the Sri Lankan Flag. While demonstrating your understanding of the global ship ownership and registration spread, discuss reasons behind looking for third world countries for ship registration. [10 Marks]

Question No. 6 [30 Marks]

Marine Shipping Lanka has its Local Shipping Agent, which handles Casual Callers that arrive at Port of Colombo. The below information was received from a Singapore based Shipping Company, Keppel Shipping, for their Vessel "Spring Glory" which is due in end February 2018

(a) Vessel Specification 1. Name of Vessel Speed Glory Voy 300 of 20.02.2018 2. GRT (Gross Revenue Tonnage) 59,987 3. Port Stay 2 Days 4. Purpose of Visit Discharging & Loading Cargo & Owners functions 5. Crew Sign Off 3 Crew Sign Off in Colombo 6. Cargo Details given as <u>20'/40'</u> Inward 100'/50' Transshipment Laden Outward 400'/100' Transshipment laden	(b) Navigation cost sheet as per SLPA Tariff Entering dues GRT x US\$ 4.55 Light Dues GRT x US\$ 3.40 Pilotage In/Out GRT x US\$ 4.55 Professional Pilotage US\$ 24 x 2 Tugs 2 In / 2 Out US\$ 161 x 4 Berth Hire GRT x US\$ 0.22 x hours at Berth
(c) Other Charges Port Stevedore Rates <u>20'/40'</u> Transshipment laden US\$ 40/ US\$ 60 Fresh Water US\$ 2,000/- Provisions US\$ 10,000/-	(d) Exchange Control Tariff for agency commission Transshipment Laden US\$ 7.50 for 20' container and US\$ 15 for 40' Owners protective US\$ 750 per vessel Agency fees Crew Change sign Sign Off US\$ 25 On/Off per crew

You are required to prepare a Proforma Disbursement Account for "Spring Glory" in order to submit same to Keppel Shipping, who are keen to working with Marine Shipping Lanka.

Question No. 7 [30 Marks]

- What are the main characteristics of air transport industry? Explain in detail two of the characteristics you have identified. [8 Marks]
- List down five different industries and sectors, which are connected with the air transport industry. [5 Marks]
- While citing your own examples, examine the contribution air transport industry could make towards economic development of a country. [5 Marks]
- Liberalization of rules and regulations pertaining to the air transport industry is seen as a recent trend in the industry. Discuss your views, as a young professional in Economics, regarding the appropriateness of the concept of liberalization to the Sri Lankan context. If you advocate liberalization, state to what extent; and if you think it is not advisable, explain why. [12 Marks]