

EXAMINER'S REPORT

Shipping Business

November 2024

General comment

Q1. On the world map provided in the middle of the answer booklet highlight the areas where the following weather conditions occur:

- Cyclones
- Hurricanes
- Typhoons
- Ice (Northern Hemisphere)
- Willy Willies

B Mark on the same map each of the following ports that could be affected by these weather conditions and comment on which weather condition will affect each of them

- Montreal, Canada
- Port Louis, Mauritius
- Hong Kong, Special administrative region of China
- Houston, Texas, USA
- Dampier, Australia

What we were looking for

- a) A clear indication of where each of these weather phenomena occur. This required the full area to be demarcated, not just an individual spot
- b) Each port clearly marked on the map in the centre of the booklet

Where students went wrong

Geography. None of these ports are obscure, so it was disappointing to see so many students have no idea where they are. We can only emphasise that if you want to be part of the shipping industry, you should have a good grasp of the geographical location of most of the major ports, the commodities they export/import and the weather conditions they experience

The question asked for you to use the map in the middle of the book and it was assumed that **all** of your answer would be reflected on this page, or if not, then you would make mention of where the rest could be found. Many of you decided to state the port and the prevailing weather condition on a totally different page and in many cases, with no question number or explanation as to what it was about. If you are going to put part of your answer somewhere else, please make sure you make it very clear that this is what you are

doing. Having to search for your answer or coming upon it much later in the marking process, is time consuming for the marker, but if we missed it, you could lose marks and we would be none the wiser.

Q2 Answer BOTH parts of the question

- a) How would your company prepare for an external ISO 9001 audit?**
- b) Why is it important to a company that they maintain their ISO status?**

What we were looking for

a)

Conduct an internal audit to assess the company's preparation for the external audit.

Ensure that the company procedures are in line with what is stated in the quality assurance manual.

Check all non-conformance reports and ensure that they have been signed off and actioned.

Look at areas of continuous improvement and update your ISO procedures to incorporate them.

Make sure that all staff have read the manual and are familiar with their role.

b)

A company's reputation is enhanced by having ISO accreditation. It shows that the company is serious about the quality of work they produce and is evidence to its customers that the company meets quality criteria. A loss of this accreditation will impact badly on the company's reputation and will be hard to explain to customers. It may also impact on the company's ability to gain new customers.

Where students went wrong

Too many answers confused the ship's ISM requirements with the ISO process. Whilst there are similarities, these are not the same thing.

The other problem was many answers assumed that it was in fact a financial audit of the company

Very few answers recognised the danger/damage to a company's reputation should it lose its ISO status

Q3 Discuss the role of a sale and purchase broker in the secondhand ship market.

What we were looking for

Your answer had to include some of the points below. We awarded marks based on how many of them your answer covered

- Acting as an agent to a principal, the seller or the buyer or both to facilitate the sale of ships on payment of a commission.

- A neutral role acting impartially between the parties, offering mediation services in the event of dispute.
- Follow an ethical practice acting within authority of principal(s) and avoiding actions which bring the S&P broker into disrepute.
- Specialist knowledges of the secondhand market.
- A large database of information regularly updated.
- A good knowledge of the markets as well as the types of vessels best suited to the market.
- A well founded list of contacts.
- A detailed knowledge of the documentary process in the transaction including the Norwegian Salesform 2012, Nippon Sale Form 1999 or the Singapore Sale Form 2011 contracting the deal.

Where students went wrong

The question was about the role of the secondhand ship broker, not the roles of the buyers and sellers. The question quite clearly asks about the secondhand market, so answers going into great detail about new builds and scrapping, were not rewarded for this information, even though in many cases it was quite insightful. You really need to stick to what the question is asking you

Another area where answers went off on a tangent was in detailing the process for the purchase of a ship.

Q4. Explain the purpose of a voyage charter firm offer, describing the main features and identifying the parties involved

What we were looking for

Mention that a firm offer is made by the owner's broker to the charterer, it can be via his broker. If accepted, then a contract is entered into. If any amendments are requested, then this is then a counteroffer. Marks awarded for mentioning the factors that make a contract – offer, acceptance, consideration legal agreement. Must mention it is between ship owner and charterer.

Salient points

Ship name, details (dwt, LOA, beam, Draft, No. of holds/hatches, cargo gear, flag, Gross Tonnage, Nett Tonnage)

Cargo type

Cargo quantity

Load port

Discharge port

Load rate

Discharger rate

Freight rate

Demurrage/despatch

Charterers nominated agent

Charter party form

Laycan days

Law/GA/Arb

Reply by Date/Time/Place

Commission/address commission/brokerage

There was no need to mention all of the above as with all two part questions, you need to appreciate that each part is worth 10 marks

Where students went wrong

A number of answers went into great detail in discussing what a voyage charter is. There were some answers that discussed the differences between the different types of charters and the responsibilities of each party and who paid for what.

Confusing or mixing up of time charter and voyage charter clauses was fairly frequent. Most notably giving details of bunker consumption and various speeds. A voyage charterer really couldn't care how much bunkers you are going to use or how much it is going to cost you. They just wants to know how much it is going to cost to ship the cargo

Q5. Answer BOTH parts of the question

You are the port agent for a bulk carrier that is arriving at your port to load a cargo of coal, where at the same time will require the renewal of safety certificates.

- a) Identify the different entities you would liaise with, explaining their functions with regards to the arrival of the ship, the loading of the cargo, and determining the final quantity on board.
- b) Identify the different parties who would renew the safety certificates and briefly explain their responsibilities

What we were looking for

Part A

You had to mention some of the following and give their role :- Owners, charterers, shippers, port authorities, tug company, pilots, stevedores, terminal operator, immigrations, customs, draft surveyor, shippers, clearing and forwarding agent.

Part B

Again mention some of the following and the role that they would paly :- Owners, ship management company, superintendent, Classification society on behalf of the flag, life raft servicing company, fire-fighting equipment servicing companies, radio technicians, chandlers, port state control in cases where there are problems with the current condition of her certificates.

Where students went wrong

Too many answers focused on discussing the role of an agent and the husbandry work that they do. The fact that the question said you are the port agent, should have given you a clue that we were looking for much more than just the husbandry services an owner's agent would provide

The ship's safety certificate is up for renewal. This does not mean that the ship is in breach of regulations and that your responsibility is to report her to port state control. There is a regular requirement at ports of call for the agent to assist with getting the ship ready for the renewal of some of her certificates. In this example, you may have to assist with getting the fire extinguishers serviced, the life raft serviced, perhaps they need new safety signs, or some safety stores. The agent would help in procuring these services.

Q6. Describe the operational and financial duties of a liner agency.

What we were looking for

Describe the **operational duties** of a liner agency: dealing with the ship, outward cargo marketing, documentation and containers duties, inward cargo duties and liaison with the principal.

Financial duties of a liner agency include:

Invoicing and monitoring receipt of freight *from* shippers and receivers, logging data onto manifest for each shipment.

Arranging payment of fees and charges for individual consignment transport, stevedoring, customs fees, warehousing.

Payment of marketing costs, advertising and staff salaries.

Settle port charges for each vessel including quay dues, tugs, pilots and boatmen.

Forwarding disbursement accounts to owners and remitting balance of freight less fees, port charges, agency fees and costs incurred as per liner agency agreement.

Where students went wrong

Too much effort was spent in discussing the functions of a port agent. The question was quite specific in asking about a liner agent and so, you were required to also discuss the dealing with inward/outward cargo, the marketing aspects, documentations and the handling of the containers

The second part of the question was poorly answered. There were some answers that recognised the agent would be required to collect freight and to remit it to the owners, but most answers were about the cash flow, budgets and financial accounts of operating a business, not the agents financial duties to the principal

Answer ALL parts of the question

Q7 The possibility to commit fraud with a bill of lading at both the load port and the discharge port is high.

Explain What precautions would you take with a bill of lading at a load port and at a discharge port to minimise this risk.

What we were looking for

Load port

Check the description of the bill of lading against the original booking note.

Ensure that the cargo has been loaded on the ship and that the description, numbers and mass are as per the mate's receipt. Check with the owner and the shipper that the details on the bill of lading are correct and that they are happy for you to release the bill prior to you doing so. Obtain this confirmation in writing and in turn advise them in writing when you have released the bill back to the shipper or his agent. Ensure you use the proper lines stationery and that the clauses are reflected on the back of the bill. Do not agree to letters of indemnity in exchange for clean bills of lading. Send the discharge port agent copies of the original bill so they have a counter check.

Discharge Port

Check the credentials of the person presenting the original bill of lading. Make sure that the bill of lading details are accurate and in accordance with the copy bill and manifest you have received from the load port. If it is a house bill then check with the owner that they have agreed to the issue of house bills and the cargo to be released against same. If in doubt use the services of IMB to check as to the authenticity of the documentation.

For both load and discharge ports your staff's integrity must be impeccable and so good staff vetting and employment policies should be in place as should anti-corruption and bribery policies.

Where students went wrong

You were not asked to give examples of fraud, nor were you asked for the functions of a bill of lading.

Q8. "A seller of goods will wish to ship CIF whilst a buyer will wish to buy FOB".

Discuss this statement, explaining both of these terms and what the advantages and disadvantages are to each party.

What we were looking for

Explain the two terms and what they mean, when property and risk are handed over and who is in control.

The seller would want to control the shipment as well as the cashflow. This is better for the country he is resident in as they gain the foreign exchange revenue.

The buyer similarly will want to control the shipment and not lose the foreign exchange revenues

He who controls the ship controls the process of the supply and delivery of the goods. With a FOB shipment the seller has to make sure he has the cargo ready for the date that the ship arrives. The buyer can now control the amount of product he has on hand and will import to meet his needs, The seller has to comply with the dates that are determined by the buyer

With a CIF shipment the seller is able to dictate the ships arrival at his port and work out his production to meet that time frame. The buyer is obliged to be ready to receive the cargo when it arrives otherwise he will incur demurrage

Where students went wrong

Poor understanding of the terms and where responsibilities start and end. Some answers had the roles completely reversed and confused or intermingled the roles and responsibilities of the two terms. Some answers went into great detail about the Incoterms, discussing those that applied to sea and those that applied to multimodal transport and whilst, in many cases what was said, was correct, it was not what the question was asking

