



EXAMINER'S REPORT MAY 2021

SHIPPING BUSINESS

General comments:

It is vital to read the exam question before attempting the answer and to have another read through the question, once the answer is completed. This is to make sure the question is correctly addressed. Often it is not possible to award any marks to some very knowledgeable answers, because the answer has absolutely nothing to do with what was asked. It is vital to answer the actual question.

If your answers are about a page or less, then you have not given enough information to achieve a pass mark. This does not mean that if you write ten pages that you going to do great. It more likely means you have wandered away from what was asked. It is a good idea to write down the points that you intend to discuss in your answer prior to actually writing it. That way you will know if you have given enough information and you will be able to layout an argument that follows a logical sequence

The use of current events in your answer is great and it does show that you have a broad understanding of the industry. You do however need to be careful that in your desire to show off this knowledge, you ensure that it is in fact relevant to the question you are answering.

Question 1:

You are a shipbroker advising a shipowner who is looking to sign a COA to move 200,000mt of grain from Montreal, Canada to Bari, Italy over 12 months.

Discuss the dimensions of vessels you would use and the weather you would encounter.

What precautions would be required during the loading, the sea passage and the discharge operation?

Factors that you would consider were as follows:

The first part of the question is asking you what ship you would use and what weather conditions you would encounter.

The first point you needed to know was what size of vessel will be able to berth at Montreal. Even if you do not know the actual berth it is expected that you have some knowledge of the Great lakes as it is a major waterway. Having identified the correct ship you then needed to give its description if you mentioned the fact that it would be self-trimming, you gained a mark for that

The COA tells you that it is a 12 month contract, so you need to consider the weather conditions over the entire year, not just the nice part in the middle of summer. It also brought not play the IWL with winter North Atlantic, winter and summer loadline marks coming into play. Knowing that the draft restriction at Montreal is fresh water also gained you a mark.

The second part of the question wanted you to discuss the precautions you would take. Here we were looking for discussions on hatch cleanliness, making sure the cargo was well trimmed and an explanation of angle of repose, fumigation, the need to ventilate prior to arrival at discharge port, the danger of sweat with the ship moving from cold water into warmer water, and the fact that you can get ice build-up on the vessel superstructure. The fact that the weather conditions could be bad and so the use of a weather routing company may be prudent.

Where students went wrong

Too many answers focused on what a COA was and a general discussion on grains. The incorrect size ships were chosen with a number of students feeling a Capesize would be ideal.

Of concern was the number of answers that felt the angle of repose was the equivalent to the maximum degrees that the ship was permitted to roll at sea and that if she exceeded this, she would capsize.

Know your weather conditions and where they occur. Too many answers felt that you have cyclones, typhoons and other tropical storms over the course of the voyage.

Question 2:

A large number of reputable shipowners use crew management companies. What are the reasons for doing so and how do they ensure that the crew employed are of an acceptable standard

Points that needed to be considered

- Cost factor – labour pool is international. Ships compete internationally for a common market of business
- Companies wishing to flag out but keep the management control in their home country will use them to appoint crew in accordance with flagged state regulations
- Access to pool of labour
- Benefit here is reduced tax on company earning, lower registration fees
- Difficult to find candidates for going to sea in home country
- Use of BIMCO Crewman 2009 crew management agreement
- BIMCO SHIPMAN 2009
- Standards of Training Certification And watchkeeping Convention
- Appointing crew for white list countries
- ITF protection against exploitation of crew

Where students went wrong

Very few answers mentioned training standards and STCW, nor was there much on the role of the ITF in ensuring that crew were not exploited.

A number of answers became fixated on one aspect of the question and did not go into detail on the other aspects.

The question was about crew management, not about the functions of a ship management company

The current problem with crews being affected by COVID restrictions is very topical and it is of serious concern, but it was not the topic of this question.

Question 3:

In International trade there are a number of things that can go wrong with a contract. Name and explain two remedies for the buyer and two for the seller in cases of breach of contract by the other party.

We were looking for the following

Remedies to the seller

Mention the fact that this depends on whether or not property has been passed. If so, then he can sue for price of goods

If property has not passed sue for damages for non-acceptance of the goods

Stop the goods in transit

Place a lien on the goods

Remedies for the buyer

Reject goods or at an earlier stage reject documents

Sue for damages of defective goods

Demand correct delivery and performance of contract

As a general means of protection to both parties, documentary letters of credit work well

Discussion of the types of payment methods and how these can be used to protect the buyer and the seller also gained marks

Where students went wrong

Students confused freight with the actual purchase of the goods. The question was about a buyer and seller, not the shipping line and the agreed freight rate.

In some answers it was not clear as to when the student felt that property had passed and so what action would then be applicable.

Question 4:

Bribery is seen as unethical behaviour. Discuss ways in which your company can ensure that it complies with anti-bribery compliance best practices?

Your answer needed to cover the following points

- Anti-bribery policy
- Anti-bribery risk assessment
- Anti-bribery clause
- Anti-bribery training
- Due diligence
- Reporting
- Review and audit
- Tone at the top

Where students went wrong

Too much time was spent explaining what bribery is. This was not what was asked.

There were also a lot of cases of answers discussing in detail the various anti bribery institutions and whilst the knowledge of these was impressive, we cannot award marks for facts that are not relevant to the question.

Only few answers made mention of senior management leading by example and setting the tone for the company.

Question 5:

A bill of lading is one of the most important documents in shipping. It has three distinct functions. State these functions of the bill of lading and give a detailed explanation of each.

How does the role of a waybill differ from that of a bill of lading?

This question wanted you to firstly give the three main functions of a bill of lading, receipt, evidence of a contract and a document of title. You also needed to give an explanation of these three.

Receipt, condition of cargo, mate's receipt, clean bill of lading/dirty bill of lading

Evidence of a contract – contract negotiated prior to shipment through booking note, charter party,

Document of title – cargo considered untouchable whilst at sea, to order bills of lading, letters of credit, endorsing the bill

Security of payment for DLOC

The last part of the question asked what the waybill role was and we were looking for something along the lines of the below:

Explanation that a waybill is evidence of a contract of carriage and receipt of the goods being transported, but not a document of title. It is not negotiable, and no original bills of lading are issued when a waybill is used .

Where students went wrong

Many answers showed that students simply did not know the functions of a bill of lading. This is a vital document in shipping and a vital basic knowledge to work in the industry.

Not answering part B, the role of waybill.

Question 6:

The term Shipbroker encompasses a wide variety of activities. Discuss two of the following, explaining the main business function and the relationship between the practitioner and the principal

- **Port Agency**
- **Liner Agency**
- **Ship Operations and Management**
- **Ship Sale and Purchase**
- **Dry Cargo Chartering**
- **Tanker Chartering**

Your answer should have covered the following points for the ones you opted to answer:

Port Agent – looks after the needs of the ship and the crew, prior to, during and after the port stay.
List the functions that the agent

An agent is a person or company that provides a service between two parties, so the agent represents the ship through undertaking the services and duties between themselves and the principal. Be able to identify the principal in voyage and time charter. Know the principal is the one who is paying his fee. How is the agent paid

Liner agent – dealing with the ship, dealing with outward cargo, dealing with inward cargo, dealing with the Principal. Agency offices remote from ports

Agency contract in place, agent may be restricted to only servicing one liner principal, contract must be of a reasonable duration as he has to employ a large team to look after the principal. FONASBA Liner Agency contract. How are they paid

Ship Operations and Management – describe the services- full management, technical management, operations management, admirative management crew management

Mention SHIPMAN 2009 and CREWMAN 2009. How are they paid

Ship Sale and Purchase – New builds, secondhand and demolition. Describe the process of selling/buying a ship with secondhand discuss the need to drydock, MoA between buyer and seller
Contracts such as SALEFORM 2012, Nippon Sale Form 1999 and Singapore sale form 2011
Role as valuator and ability to arrange financing for the purchase, how are they paid

Dry cargo chartering – describe the role of the 3 types of brokers -in house, exclusive and competitive. Concerned with the carriage of bulk raw materials (iron ore, coal, grain). Mention Baltic Exchange

Tanker chartering – specialist sector, separate specialisations crude oil, petroleum products, chemicals and liquified gas. Market dominated by the oil majors, (ExxonMobil, Chevron, Total, Shell, BP etc). Charter in from independent ship owners. Majors now have inhouse brokers. Only one broker involved in the deal. How are they paid

Where students went wrong

In most cases there was a fair description of the functions, but students failed to discuss the relationship between the parties.

Question 7:

Discuss the role and function of four of the following:

- **Freight forwarder**
- **NVOCC**
- **Multimodal transport**
- **Logistics management**
- **Supply chain management**

Freight Forwarder: responsible for the process of clearing the cargo at load port and making sure that all documentation is completed. Works with the seller, the ships agent and Customs at load port. Confirms cargo is loaded and makes sure that the documents are sent to the discharge port clearing agent in time.

NVOCC- Non-vessel operating common carrier or non-vessel operating carrier. Know the difference in description between USA and the rest of the world. Have slots with the carrier, which they operate as if they owned the ship. Provide own bill of lading. Pay the line for the slots regardless as to whether or not they use them. Can sell space at their own rate, often cheaper than what the line is offering.

Multimodal transport: Usually done by the shipping line and it is the through transportation of the goods under a single contract using a number of forms of transport in order to get the cargo from the seller's factory to the end receiver. The carrier is responsible throughout and issues one bill of lading

Logistics management: ensuring goods are moved as efficiently as possible and taking into account JIT requirements. It can be for inbound or outbound. They are involved with inventory management, purchasing, transportation, warehousing and consulting

Supply chain management: they manage the planning, procuring implementation and control the efficient flow of goods from point of origin to the end user. This takes into account transportation, possible storage options and services that may be required

Where students went wrong

Some students felt that this was all one question and proceeded to give an answer based on a supply chain from the shipment to delivery.

Generally there was poor understanding of the roles of each party and what in fact their function was, with a number of answers saying that a freight forwarders' primary function was to sell space on container ships.

Question 8:

Prepare a report to a business associate outlining the options for modern communication and the advantages and disadvantages of each.

Marks were awarded for drawing up a report in the correct format. It should have included title, executive summary, table of contents, introduction, paragraphs for each option discussed and a conclusion

The various means of communication were all acceptable, with the exception of answers that discussed telegram, and telex as these no longer fit the description of modern communication.

Where students went wrong

Students did not know how to draft a report.

For some reason there were a number of answers that focused on ship to shore communications. Here people thought that you could use landlines and cellphone to call ships in the middle of the ocean.

Not a great deal of options were given and hardly anyone felt it necessary to mention that verbal communications still apply and the Institute's motto Our Word Our Bond.