



# INSTITUTE OF CHARTERED SHIPBROKERS

APRIL 2010 EXAMINATIONS

TUESDAY 20 APRIL – MORNING

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## LEGAL PRINCIPLES IN SHIPPING BUSINESS

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Time allowed – Three hours

Answer any **FIVE** questions – All questions carry equal marks

1. The *Spur* is a parcel tanker, and is chartered for the carriage of a parcel of chemical cargo from Rotterdam to Mumbai. The vessel arrived at Mumbai, anchored and tendered a Notice of Readiness. The intended berth was not then available and according to the local agent, there would not be a berth available for 15 days.

Therefore, the vessel left her anchorage to discharge other parcels of cargo that she was carrying under other concurrent charter-parties. She completed cargo operations in relation to such other parcels and returned to anchorage to await the availability of the berth six days later. Shortly afterwards the intended berth became available and discharge of that parcel took place.

The Charterers now dispute that time should count during the period when the vessel was unavailable to them, notwithstanding the unavailability of the berth during the period of the six days. The shipowners on the other hand claim that demurrage should be payable, since discharging lay time was exceeded by two days.

Discuss and analyse the merits of the claims in the above scenario.

2. A director of your company has asked you to explain to him the main differences between the different sets of rules applicable to carriage of goods by sea, and wants to know why there is more than one set of such carriage of goods by sea rules.

Draft a report in reply to his request, critically discussing these differences from the point of view of the carrier and the shipper, and analysing the arguments put forward by supporters of these sets of rules.

3. (a) What are the advantages and disadvantages of taking a dispute to arbitration rather than a court of law?
- (b) What time limit would apply when commencing such proceedings if the dispute involved a charter-party which incorporates the Hague-Visby Rules and what time limit if those Rules were not incorporated in the charter-party?

4. On the 1st of January 2008 the British vessel *Grim Reality* is chartered for a period of 24 months. Hire is to be paid monthly in advance, and the charter-party is subject to English law. The ship's operation during the first three months' of the charter ran smoothly, with charterers paying on time the hire for January, February and March 2008.

However, on 1st April 2008, and whilst *Grim Reality* was proceeding to her destination, Britain declares war against Ruritania and the ship is requisitioned for use by British military forces for a period of two months.

The charter-party does not contain any provision regulating such circumstances, and Shipowners claim that the contract (charter-party) has been frustrated.

Advise the parties on their rights and liabilities under the charter-party.

5. (a) Explain the requirements to be fulfilled for a claim of general average contribution to be made.
- (b) The vessel *West* proceeds on a laden voyage from London to Singapore. Amidst a storm, the crew discover that the deck above one of the holds is hot and later on vapour and steam was rising from that hold. Consequently, the master and officers believing that there was a fire in the hold, turned steam and water into the hold with a view to extinguishing the fire. When the *West* arrived at destination it was found that no fire had ever existed but a steam pipe in the hold near the deck was broken. The cargo contained in the hold was totally damaged by water. The shipowners claim that as the captain's act was reasonable in the circumstances, this was a general average act.

Critically consider whether the loss of cargo was a general average loss.

6. Answer **ANY THREE** of the following questions:

- (a) A bill of lading is said to be evidence of the contract of carriage of goods. Analyse whether there are any circumstances when a bill of lading may be/become the actual contract of carriage.
- (b) Discuss giving appropriate examples the principle of ratification in the law of agency.
- (c) Explain the term "once on demurrage always on demurrage" as compared to laytime.
- (d) In relation to European Union law, explain the characteristics of (i) Regulations, and (ii) Directives.

7. Discuss and use your own examples in answering the following questions:

- (a) The legal implications of contributory negligence.
- (b) Does the doctrine of vicarious liability transfer liability from the tortfeasor?

8. In a telephone conversation, Jon, a shipbroker, offers to Eva, a charterer, a particularly good fixture. However, after concluding the fixture, Eva finds out that Jon has no authority to bind his principal (shipowner) for the particular type of fixture.

Consider and discuss the legal and practical position of the parties in the circumstances.