



ICS Examiners Report

Shipping Business 2011

Overall Comments

It is pleasing to report that, overall, there was an improvement in the standard of answers submitted this year, but it is concerning to report that there were a number of candidates who were inadequately prepared for this compulsory examination and, as a result, failed to obtain a satisfactory grade.

For those candidates who did pass and produced well constructed answers, it was obvious that a structured learning and revision regime had been adopted which, obviously, manifested itself in the overall result.

It must be mentioned that, where applicable, questions comprising two (or more) parts, however well answered, will only be awarded a proportion of the total mark and, therefore, candidates should bear this in mind whilst drafting their answer.

Finally, as usual, a small minority of candidates attempted six or more questions which only wastes valuable time and effort under examination conditions, especially taking into account that only the first five questions answered will be assessed by the examiner.

Question One

Whilst, this question was answered by only a few candidates, the standard of answer was high and included most aspects required to obtain a pass mark; which included the type of organisation, method of operation, and the implications of the class award.

Whilst examining the perceived 'failings' of the current system, most candidates identified that there was a wide variation of standards between Societies and that commercial competition could compromise integrity. In addition, the potential disastrous consequences of failure was acknowledged and some mentioned that unscrupulous Owners have the opportunity to bypass, or attempt to bypass, the system altogether.

Suggestions as to the alternatives to be adopted included the creation of an International Register under the aegis of the IMO (or similar), more power granted to IACS to enforce minimum standards and, perhaps, the commercial work of the Societies should be separated from their classification work.

Question Two

Most candidates attempting this question recognised the basic composition of Chambers of Commerce and were able to describe the range of services offered to trade and industry, such as the validation of certificates of origin, translation services, commercial arbitration etc.

In addition, many candidates were able to explain the value and contribution the International Chambers of Commerce offers to world trade and, in most cases, commenting on the use of Incoterms, with some even explaining the fundamental changes between Incoterms 2000 and 2010.

It was pleasing to learn that the vast majority of those attempting this question also appreciated the relationship between ICC's and the International Maritime Bureau.

Question Three

Attempted by many candidates, in general terms, this question was answered well.

Most candidates conveyed their practical experience of their chosen port and realised that investment in port infrastructure and the ability to adapt to changing trends as the key to ongoing success.

As well as infrastructure, most candidates identified that the availability of shore-side skills, the cost of labour, trade union activity, economic incentives and the availability and quality of available ancillary services all played a valuable part in the success of the port as a progressive business entity.

Question Four

Most candidates attempting this question were able to identify the three major sectors (newbuilding, second-hand and scrapping/recycling).

In addition, whilst analysing the elements for success candidates mentioned the network of relationships with Principals, detailed up-to-date database of tonnage, speed of response to enquiries and market opportunities, detailed knowledge of procedures, contract forms and legal aspects, awareness of market trends and values and the importance of having professional qualifications and a first class business reputation.

The risks involved in this discipline of shipbroking included the 'no sale – no fee' aspect (even after participating in protracted negotiations), the potential for expensive mistakes, omissions or exceeding authority, and the potential fluctuating activity in this specialist market sector.

Question Five

This question was attempted by most candidates who were able to explain the three main functions (receipt for the goods shipped, a transferrable document of title to the goods and evidence of the terms of the contract of affreightment).

The significance of a 'clean' B/L was generally well explained whereby, in most cases, documentary letter of credit transactions require a 'clean' B/L and most candidates gave explanation of the transaction issues relating to a claused B/L.

Some candidates gained extra marks in this question when explaining the liabilities of the carrier and shipping, the limitation of liabilities and, in addition, how the Rotterdam Rules, if adopted and ratified, will change the documentary structure in international and trade transactions.

Question Six

This question was attempted by many candidates, but with varying degrees of success.

Most candidates were able to describe their chosen organisation and comment upon its historical background, but many failed to convey the composition of membership, tangible and identifiable achievements, and, in some instances, an understanding of the role that the organisation plays in the international maritime industry.

Those candidates who were able to provide a good account of **both** organisations and included the aforementioned factors were rewarded accordingly.

Question Seven

Surprisingly, a few candidates could not distinguish the difference between the roles associated with a Port Agent and those of a Protecting or Supervisory Agent. However, in general terms this question was answered well with most candidates recognising the Owner's concerns when the vessel's call is subject to 'Charterer's Agent.

The main role of the Protecting Agent is to 'shadow' the appointed Agent to protect the Owner's interests and to perform tasks which the Charterer's Agent deems to be outwith their responsibility.

Although subject to negotiation, generally, the Protecting Agent can expect to receive approximately 50% of the full agency fee for carrying out this service.

Question Eight

This question was designed to assess the candidates' knowledge on the basic form maritime contracts and encourage **discussion** relating to the similarities and differences between a voyage and time charter party.

In general terms, this question was answered well, but those candidates who failed to read the question properly and merely **listed** the similarities and differences had their answer marked accordingly.

Whilst the quality of answers varied, it was apparent that there was a general understanding of the fundamental similarities and differences between both contracts and most were able to convey sufficient detail to achieve a satisfactory result.