

Examiners' Report

November 2016

Introduction to Shipping

General comment

We looked to test not only the students' theoretical knowledge of the syllabus, but also to allow students to use their own practical knowledge of the industry and to apply this to their answers. It was for this reason that some of the questions were split into multiple parts. This is a theme that we have carried for the last few papers as it is important that students realise that what they are doing in the industry has an impact and they apply their knowledge to the practical situations they encounter.

Geography is fundamental to shipping and students are urged to brush up on their knowledge of geography.

It is important that answers are clear and tidy. Consider if you were to submit a report to your employer and he had to move back and forward through the report to find the salient points and you had crowded details at the bottom of the page. Untidy papers are not marked down, but you must ensure that the examiner is able to read your answer and understand what you are trying to communicate.

Question 1

Explain why the liner shipping industry has developed a hub port system. Using the world map provided name and identify three major hub ports, explain why they are successful and what factors could impact on their continued success?

The first thing that was required in the answer was a definition of a hub port. The question also asked for major hub ports so discussing a small local port that handles containers for a couple of cities is therefore not covering major hub ports (eg. Singapore, Colombo, Hong Kong). A number of students mentioned Piraeus and COSCO and the impact it has had. This showed good understanding of the subject.

There was good appreciation of what ports needed as far as infrastructure in order to stay competitive. Few answers however mentioned road or rail as transport options for hub ports.

Very few answers mentioned the developments to the Panama Canal and the potential impact that may have on hub ports in the Caribbean or on the Suez Canal traffic. Political factors, war, severe weather conditions are all factors that could impact on their success.

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Question 2

Answer all parts of the question.

- a) Using iron ore explain absolute and comparative advantage**
- b) Draw a clearly labelled profile and cross section of an iron ore carrier, including the main dimensions.**
- c) Describe the typical trade routes of this vessel, using the world map provided to support your answer**

Answers needed to explain derived demand and give an explanation of absolute and comparative advantage as it pertains to iron ore. Giving an answer using bananas or coal is not what was asked. It is expected that students are able to take the theoretical knowledge and apply it to specific scenarios. A number of answers confused comparative advantage with competition or went on to explain production possibility frontiers.

The usual type of ships for iron ore are Capesize or VLOC. Panamax ships were accepted as answers, but students' opting for handysize or in a number of occasions, tankers, did not get marks. The drawing of ships is an important skill. Using a ruler and practising before sitting the exam is a very good idea. Cargo holds are numbered from the bow to the stern with No.1 hold being the forred hold, not the hold closest to the accommodation.

Students who had researched, using books or the internet, traderoutes for the major cargoes shipped around the world were well prepared for this question. Knowing the major trade routes is important and students should be encouraged to study these.

Question 3

You are the owner's appointed agent for a port call to load a bulk cargo. You will also be required to hand over cash to master, assist with crew changes and arrange supplies. Draft three emails – one to the owner on being appointed, a second to the Master prior to arrival and a third to the owner on the departure of the ship

The question states you are appointed for a port call to load cargo and yet some answers discussed the cash to master and the crew change. This was secondary to the main reason for the port call. Some students may not have read the question properly and answered on the basis of the ship discharging her cargo.

In questions such as these you should look at what you would want to know if you were the owner or the ship's captain. You also need to explain in detail as opposed to saying "as per the attached". The examiner cannot award marks for information that has not been given.

The email to the owners should have given port restrictions, berth restrictions, expected berthing prospects, load rate and cargo availability. You could also have asked for funds. Secondary to this would have been what they needed to do in order to remit the cash to master and to have the crew changes

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effected.

The email to the Master would have highlighted port requirements, ISPS protocol, stowage factor, load rate for the cargo, what berth the ship would go to and its restrictions, any hatch cleanliness requirements, a request for the ships proposed stowage. After this you would let them know about the CTM and the crew changes. Here a number used the example of the crew being sick and needing to either go to the doctor or the hospital.

The sailing email required details of the ships sailing condition. The owner would want to know how much cargo was loaded, when the loading completed, pilot on board, vessel left berth, left port, ETA next port and her sailing condition. Sending an email saying "thank you for this appointment please find sailing details attached" will not get marks.

Question 4

Ship, port and crew safety is of vital importance. Give an explanation of ALL of the following and what their function is:

a) Classification

Certificate of quality, needed for insurance, linked to the condition of the vessel and making mention of the IACS and some of the recognised classification societies was what was needed to answer this question. If the answer also discussed regular and special surveys, and the fact that they attended to ships from the drawings and building of the ship and throughout the ship's life and that they were involved on behalf of flag states with the safety certification, this would have achieved significant marks.

b) ISM

Generally well answered by most students which was pleasing to see. We were looking for knowledge of why it came about, IMO, SOLAS and MarPol, proper training of crew and that there is a designated person ashore who is an integral part of the ISM responsibility.

c) ISPS

This answer should have mentioned the terrorist incidents of 11th September 2001, that both the ships and the ports and terminals need to have a security plan, the three levels of security and that ships can be denied entry if they are not compliant.

d) Port State Control

A large number of students thought that this question was about port health.

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Question 5

Answer BOTH parts of the question

- a) Explain the differences between a voyage charter and the time charter, and the elements of each one
- b) Describe the various responsibilities of the owner and the charterer under both types of charter

Students demonstrated a good understanding of both voyage and time charter and so part A was for the most part well answered. There were a significant number of students who did not split the answer into A and B, but instead wrote a single essay.

Part B giving the responsibilities of both owners and charterers was not answered less comprehensively.

Question 6

Answer BOTH parts of the question

- a) Explain the origins of the development of the Hague, Hague-Visby, Hamburg and Rotterdam Rules
- b) What are the key differences between the Hague-Visby and the Hamburg Rules

A good answer here needed to explain the reason for the Hague rules arising and who they favoured. Why were the Hague-Visby rules brought in (containerisation and the Himalaya Clause). still favouring owners. Who brought in the Hamburg Rules, who do they favour and then why the Rotterdam Rules and what are they attempting to do.

The differences between the rules are important and knowledge of these are vital. So knowing where risk passes that deck cargo and animals are not covered in the Hague Visby Rules, but that that does not mean that you cannot ship them. They are just at shippers' risk. Lower rate of compensation, time constraint on claims.

Areas of common mistakes were mixing the rules up, confusing responsibilities and in some cases thinking the rules were about who pays to load and discharge the cargo.

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Question 7

Answer BOTH parts of the question

The draft and the freeboard of a ship are of vital importance.

- a) Explain what each of these are and why they are important
- b) Draw the Plimsoll line and give an explanation of each of the abbreviations

This was generally well answered by those students who know the topic. There was however some confusion as to freeboard and the ships aircraft. Students were also not too sure as to from where the freeboard was measured.

Students all referred to Samuel Plimsoll, although there were a multitude of different occupations assigned to him.

Again the actual drawings of the Plimsoll line and the marking was not always done neatly and some students failed to line up the summer marks with the load line. There was also some confusion with the positioning of the actual different marks, but the explanation of each was generally well stated.

Question 8

Why is cash flow so important to a company and how would you go about ensuring you keep the company's cash flow positive

This was a very open question allowing students free reign to discuss how best they felt a company could look after its cash flow. There was some confusion between debtors and creditors and some students felt that cash flow was linked directly to profit without mentioning that it was important that you recover funds otherwise it does not matter how much of a profit you make.

The answer should have discussed that you need cash to operate a company and to pay your suppliers. That there is a danger that if you do not monitor your cash flow you could be in danger of bankruptcy.

The need to ask for funds upfront, monitor expenses and to pay creditors on time and the danger of losing good service providers if you did not pay them promptly were points that gained marks.