



# ICS Examiners Report

**Subject: SHIPPING BUSINESS**

**Examiner: GRAEME R NIMMO FICS**

## Overall Comments

Generally speaking, the majority of candidates who attempted the May 2017 Shipping Business examination were adequately prepared, but it was evident that some were poorly equipped to convey sound knowledge of the subject matter and, therefore, did not achieve the required minimum grade.

For students sitting the Institute's examinations, it cannot be stressed enough the need to implement a rigorous and disciplined study routine and to apply a structured revision programme. By doing so, this will ensure that they are well equipped to deal with the demands required.

As with previous years, it was noted that many candidates attempting two-part questions failed to answer both parts with the majority concentrating their efforts on the first part. Whilst some gave a little thought to the second part, others did not answer at all and, therefore, lost valuable marks.

For those candidates who failed the examination and are re-sitting in November, it is advised that you fully read the question and understand what the examiner is looking for. Remember, you must impart enough information to the examiner to pass.

## Question One

This was a two-part question which, overall, was quite poorly answered.

In order to pass, the student was required to identify some of the functions of the P&I associations explain the reasons why a port agent would use one.

The answers submitted should have included an explanation of third party risks, protection elements in providing members with legal advice and pursuing claims. Port agents will usually act in their own interests and in the interests of their Principle (shipowner/charterer) to contest claims of negligence using the services of the club of which they are a member.

Whilst some students were able to identify what a P&I association was, only a few provided a detailed answer containing most of the aforementioned aspects.

## Question Two

Another two-part question which, in general terms, was reasonably well answered by those who attempted it.

Most students were able to draw from their practical knowledge and experience and, in addition, were able to provide a good description of the main business functions but, unfortunately, some could offer little or no information relating to the practitioner/principal relationship.

### **Question Three**

This was a fairly popular question and, in general terms, most students were able to demonstrate a good understanding of charterparties.

Those who failed to obtain a pass mark in this question appeared to lack planning and structure which often resulted in key differences and similarities being overlooked.

Some students merely listed the similarities and differences instead of discussing them as the question asked and very few could elaborate upon the different c/p forms used and the specific clauses relevant to each agreement.

### **Question Four**

Overall, this question was poorly answered with most students unable to provide examples to support their answer.

Whilst some students could identify the distinction between the different types of appointment, most failed to identify what the risks to the shipowner were and why there was an ethical problem when the charterer's agent acts alone without the shipowner's interests being fully protected.

Only a few students mentioned the protecting agent's remuneration.

### **Question Five**

This was a popular question but, unfortunately, most students failed to identify the key principle characteristics of general average and how the process is operated.

The majority of students attempting this question often conveyed an incomplete description of general average as a loss where the loss of the cargo belonging to an individual is shared by everyone as the loss is deemed to benefit all involved in the venture. In addition, insufficient examples were provided of general average and where it may occur.

Most students were able to explain that the York Antwerp Rules 2004 applied to general average, although very few referred to expenses incurred at the port of refuge.

### **Question Six**

Again, this was a popular two-part question and was answered reasonably well.

Most students were able to provide a fairly detailed diagram supporting the structure of a large shipmanagement company and provided good dialogue regarding the role and function of each department as well as their interaction.

A few students failed to mention the role of the board of directors and some also missed departments such as crewing, insurance and commercial/chartering.

### **Question Seven**

This question was designed to be 'open ended' which encouraged students to engage in some critical thinking.

Most students who attempted this question were able to provide very good arguments of why they should be appointed agents, although some were unable to convey sufficient content regarding the nature of their services and any differentiating factors, structure of fees or professional membership accreditations.

Some answers provided were very vague and referred to 'attached' references and additional information which was not available to the examiner.

Very few mentioned the benefits of value added services such as online costs trackers, time sheets, statement of facts etc etc.

### **Question Eight**

In previous examinations, the question relating to B's/L prove popular and there was no exception in the May 2017 examination.

The first part of the question provided some well-formed answers with a clear description of the three functions of a bill of lading.

However, the second part, in general terms, was not answered well with a lack of detail covering the importance of the bill of lading in the payment process for goods, details of the clauses which will render the bill of lading 'dirty', mention of insurance fraud issues relating to letters of indemnity and, finally, transactional issues relating to claused bills of lading.

Some students included the liabilities of the carrier and shipper, but often failed to mention limitation of the carrier's liabilities.