

Q1 Explain what a Sale and Purchase broker does, what expertise they need to have and using a ship type of your choice explain why they would be active in that sector.

First and foremost we were looking to establish that student knows what an S&P broker did and in what market. You had to mention new builds, secondhand market and the demolition/scraping market. A definition of each market followed by what specific skills a broker in each of these markets would need was expected. It had to be specific as opposed to just generalisation that he should have good knowledge of the market. For example the new build broker would need to have knowledge of ships type, design, machinery options and ship yards. Knowledge of flag state and Classification society recommendations is also needed. Bank finance options, insurance and current market price would also be required by a broker in the second hand market as would knowledge of each sector in shipping so that he could advise his client whether to be in drybulk and if so what size of vessel would be his best choice. A broker involved in scrapping would need to have good knowledge of scrap pricing, which yards were considered as "Green" yards and would not lead the owner into unwanted problems as a consequence of pollution and unfair labour practices that exist at some demolition yards.

The second part of the question was looking for your knowledge of the current market conditions, what changes there might be and what owners' responses to these changes will be. If you choose the offshore industry, we expected you to be talking about owners looking to sell their vessels, older ships being scrapped and opportunities for cash rich companies to buy relatively modern ships at low prices. Indian offshore companies are an example of this. With the opening of the new Panama Canal Panamax ships are no longer as attractive, so what did you think would happen with this type of ship. Would there be a move for scrapping or did you think the second hand market would be far more active here. Container industry would have brought discussion on the number of mergers that have been happening and the problems for owners of chartered ships. What would they do? We were looking to see if you were able to put what is happening in the current market into a reasonable argument as to how you felt it would affect the sector of the market that you had chosen to discuss.

Q2 Answer BOTH parts of the question

- a) Describe the three ways in which an agency relationship can be created and give an example of each
- b) In an agency relationship, explain the rights and duties of the agent and the principal

This was a legal question as opposed to a practical question on what an agent does. You needed to state clearly in part A how an agency relationship is created. There are three ways this is achieved and just mentioning them was not enough. You needed to give an example of each. It is generally a good idea to stick to examples that are shipping related and fairly obvious rather than to use obscure examples that do not really explain the relationship.

What we wanted for a) was By express agreement – having a written or verbal communication from the owner stating you are appointed; by implication or conduct – acting on their behalf with their knowledge and looking after their interest; by necessity – where it is impossible to obtain the principal's confirmation, but where by necessity and in order to protect their interest an agent is appointed.

Part b) was fairly straight forward in that you had to list the duties of the agent – exercise due diligence, apply any special knowledge, render account and do not make any secret profit. An explanation of each was needed in order to score maximum marks. Similarly the duties of a principal required you to state pay the agent and protect the agent against liabilities.

Q3 Answer BOTH parts of the question

- a) What is required to make a legally binding contract**
- b) A tort is the legal recourse for an injured party where no contract is in place. Explain this, and give an example of a type of tort**

Part A required you to name the four components that made a binding contract – Offer, acceptance, consideration and legality. Mentioning that any deviation from the original offer was in fact a counter offer gained you an additional mark. Some students used fixing a ship as their example and went on to explain the difference in interpretation between USA and UK with regards as to how they viewed the clause on acceptance “subject to”. This also gained them marks as it showed depth of shipping knowledge

Part B. We wanted you to state that a tort was an act or omission that causes another party damage where no contract is in place. The wording it was a failure of a duty of care was required. The different ways in which this could be caused are negligence, trespass, defamation, conversion and deceit. Examples that used shipping incidents were favoured and those students who discussed the Himalaya case and the consequences of that incident did well. Other examples looked for were oil spills, giving the cargo to the wrong party, telling a third party that you did not think Mr X was a suitable candidate and examples of fraud.

Q4 A bill of lading is one of the most important documents in shipping and it has three distinct functions. State these functions of the bill of lading and give a detailed explanation of each

The acronym RED was used extensively here and the correct identification of the functions as receipt, evidence of a contract and a document of title were all given by most students. The catch for a number was “give a detailed explanation of each” With the receipt function we were looking to read that this involved a description not only of the marks and numbers , but also the quantity and the condition of the cargo when it was loaded. Mention here of the mates receipt and its function gained you extra marks.

Evidence of a contract and the fact that in the liner trade the booking note or telephone call was the contract and in the tramp trade the charter party was the contract.

Document of title and how this allowed the cargo to change hands over the course of the voyage was the minimum that was required in your answer. Students who correctly explained it function in conjunction with the letter of credit were awarded additional marks.

Q5 What Factors have helped the container industry grow over the last 60 years?

It was hoped that students would have started with the history of the container industry bringing in Malcom MacLean and his starting of Sealand, but very few students thought of this as relevant. There was however an appreciation of the fact that ships prior to containerisation spent a considerable length of time in port and this hampered trade. It certainly did not permit just in time deliveries which containerisation has encouraged. There was good appreciation of economics assisting with the growth in the industry as was the development of Hub and spoke ports.

Mention of LCL and FCL containers and the development of NVOCC/NVOCC was another factor we were looking for as to how the container industry developed. Similarly intermodal transport and the standardisation of containers allowing this was felt as a factor in the growth.

The examiners were also looking for an appreciation of the current market, which for quite sometime now has seen the container industry struggle. We have seen an oversupply of ships, the development of 20000 plus Teu ships and the mergers of a number of big liner companies as well as sadly the demise of a couple. Students thinking on the impact of the Panama Canal on the container industry, especially the ports on the West and East coasts of the USA was looked for. None of these adversely affected the basic pass mark, but if students were looking to excel in the question we expected them to bring some of the above points into their answer.

Q6 Draw a profile and cross section of ONE of the following types of vessels, describe the commodities it carries and using the world map provided show a trade route for the vessel

- a) Product tanker
- b) VLCC
- c) LNG carrier

When drawing the ship we expected neat drawing and the student to use the graph paper provided. Drawing a small ship on the same page as your answer and drawing it free hand badly affected the mark given for this. Not drawing the correct views or adding in a plan view was not marked down as long as the drawings were clearly and correctly labelled. Regardless as to which option you chose you needed to know the ships construction. Perhaps the most difficult to draw is the LNG carrier as you had to decide if it was a MOSS system or a membrane system and then to draw it accordingly. It is also a good idea to give the dimension of the ship so that the examiner knows that you have drawn the correct ship. This is especially true if you do a very small drawing in the top left-hand corner of your page.

The commodity is fairly straight forward and it was asked to give the examiner a clear understanding that you knew what ship you were drawing and what it carried.

World map – if you are going to draw a route it should not go over land. It is sometimes difficult to do this, especially if you have decided the ship is going through the Malacca Straits, but you should try your best to avoid crossing over huge swathes of land. You do get marked down for this. It is a good idea to clearly describe your route and to state the port of loading and the port of discharge. If you only mentioned the country, you did not get a mark.

Q7 Explain why ship owners would look to register their ships with a flag of convenience and what alternatives do they have

The discussion on why owners would use a flag of convenience needed you to appreciate that they were competing on a world market for business and that market was price driven and had no interest in the quality of the ship or the crew. It simply worked on this is the freight rate can you meet it. Owners with ships registered in their own countries found they could not and hence the shift. You would then mention higher crew costs and taxes.

A good number of students came to the FOC defence in stating that they were often at the forefront on passing IMO safety regulations and complying with SOLAS and Marpol. Further comments on the process to stop bad ships such as port state control and ITF gained you marks.

The alternatives we were looking for were tonnage tax , cabotage and second registries all of which make the thought of maintaining their home registration more attractive.

Q8 Using the world map provided, show the oceans , major canals and waterways , continents and significant lines of latitude and longitude

Naming any five of the oceans as opposed to splitting the Atlantic and Pacific into North and South was required. Antarctic or Southern Ocean was accepted as correct.

You needed to name five of the continents and here Australia caused a problem for a number of students. It is not a continent. The correct name is Australasia or Oceania and you had to show that it also included New Zealand. If you got that wrong you were still awarded the marks for getting the others correct

Major canals and waterways is open to interpretation and we were liberal in the awarding of marks here. examples of what was consider as correct are Panama, Kiel, Suez, St Lawrence Seaway, Magellan Straits, Thames River, River Plate, Hooghly River , River Elbe, River Tagus, Delaware River , Manchester Ship Canal Bosphorus, Malacca Strait , Torress Strait etc

Lines of longitude and latitude were Greenwich and the International Date Line, The Equator, Tropic of Cancer and the Tropic of Capricorn. You needed to have placed them in the correct position.