



# EXAMINER'S REPORT

## NOVEMBER 2017

### SHIPPING BUSINESS

**Q1. Compare and contrast the structures available for creating a ships agency company and give the advantages and disadvantages for each. Discuss the one that is most appropriate to your region.**

The setting up of a ships agency company is usually seen as a small start-up company that will in time grow. It would be very unusual for this type of company to start up from scratch as a listed company, so whilst giving the correct details of this type of structure showed that the student knew the makeup of this type of company, it did not earn marks as it did not fit to what the question was looking for.

We were looking for an understanding of how a sole trader, partnership and private limited company are made up. Giving advantages and disadvantages of each was asked for. Students only listing advantages or disadvantages lost marks.

The very last part of the question asked students to discuss the most appropriate setup for their region. This allowed students free reign to discuss what works where they are based and we were looking to award marks for the reasoning and understanding shown. It was disappointing that a number of students did not attempt this part of the question. It is vital that you read the question and fully understand what you are being asked. That way you will avoid giving away marks.

**Q2. The letter of credit for the cargo is about to expire and the cargo has still to be loaded on board the ship. The charterer asks you to sign and stamp the bills of lading for today's date, even though the cargo will only be loaded in two days' time. What are the dangers here and how would you respond to this request?**

First off we were looking to see that the student understood this is fraud and that they should not agree to it. It was concerning that a number of students felt that if they knew the charterer well, then it was okay.

The student had to explain the dangers of the cargo being damaged on the quay, on loading or perhaps being short shipped and a clean bill of lading has been issued. A number of students mentioned that it could also affect any demurrage/despatch calculations, which showed appreciation to the complexity of the problem. The fact that it impacted on the receiver and complicated the position with the bank was well discussed. Contacting the P&I club for guidance was mentioned by a number of students.

Not too many made note of the authority to sign bills of lading and that as the agent you would have to comply strictly with the terms and conditions stated in the authority.

Again the last part of the question was not answered by a large number of students. "How would you respond" We wanted to see that you, as the agent, the Captain, or the owner (depending on what role you saw yourself in this question), would advise the owners of the approach and that you would advise the charterer that it was not possible for you to entertain his request.

**Q3. : The IMO plays an important role in shipping. Discuss the origins of the organisation, and its current structure. Comment on three important conventions for which it is responsible.**

This was a well answered question with students having obviously studied up on the IMO and knowing what they are about. There were some answers which had the dates incorrect, but had the makeup correct and so were not marked down for the error. The focus being more on marking what is correct as long as the errors were not fundamental errors.

The examiners were looking for mention that it was part of the United Nations and was a specialised agency responsible for safety, security and the prevention of marine pollution. The makeup of the Assembly, Council and details of the five committees and the three conventions – SOLAS, Marpol and STCW.

**Q4. Discuss five ways in which a company can protect itself from foreign exchange fluctuations. Explain how each of these work and select one which you would use in your line of work.**

The five options that were required were spot market, spot contract, FFA, forward exchange contracts and foreign currency options. The students needed to give a definition of each and to show an understanding of how each of them worked

Again students did very well in answering the first part of the question, but a number omitted to select one which they would use in their line of work. There was no right or wrong answer here, it was more a case of looking at the rationale behind the option taken.

**Q5. You have been nominated as the port agent by the charterer, but the owner is somewhat nervous of using the service of your new company. Explain to the owner your standard operating procedures for attending to their ship, from being appointed through to sending out the final disbursement account.**

The first thing that the student needed to recognise is that the question called for a memo of sorts, not a list of what an agent does. It was disappointing that too many answers focused on husbandry matters and failed to make mention of the planning that would go into ensuring the ship was nominated with the port authorities, terminal and shippers/receivers.

An area of concern for an owner would be the security of their funds and ensuring that they were paid to the port authority. This fact was not mentioned by many students.

The need for the agent to be on board on arrival and on departure, assist with ISPS clearance, tendering of notice of readiness, drawing up the statement of facts, preparing laytime calculations, obtaining authority to sign bills of lading, prepare manifest and stowage plan and submit as quickly as possible after sailing the final disbursement account were all points that gained marks. Students who opted to use words such as etc or other documents, let themselves down as the examiner cannot allocate you marks for facts you do not state.

It was good to see that despite trying to convince the owner to appoint you as the agent, most students made mention of the fact that they needed to ensure they received funds in advance.

**Q6. There are four incoterms relating specifically to sea and inland waterways. Name these and give an explanation of how they work and at what point risk and property pass.**

The first task here was to know what the correct incoterms were and how they function. They are FAS, FOB, CIF and CFR. Knowing at which point risk and property passed was vital and here a number of students were unsure or mixed up when each of these changed hands.

Some students confused the contract between the buyer and seller with that between the shipper and the ship. There was also a disappointing number who went on to describe the makeup of a contract. This was not asked for and it was difficult to see why students strayed away from the question that was being asked.

**Q7. What is the role of the S&P shipbroker and what skills does the broker require?**

Far too many answers focused on generalising what any broker does and what skills they require as opposed to being specific to what a sale and purchase broker does.

There are three markets which they are interested in and what was expected was a description of each of these. New build market requires the broker to have knowledge of ship design, machinery options and ship yards. New regulatory requirements for ballast water and CO2 omission should have been mentioned as well as knowledge of flag state and classification societies. The second hand market, as well as the new build, would need knowledge of financing options, insurance and current

market prices and trends.

The third market is green scrapping

Students needed to discuss the documentary processes such as Newbuildcom, Norwegian sale form 2012, Nippon Sale form 1999 or the Singapore Ship Sale form 2011. It was pleasing to see the appreciation of the brokers role in valuation of ships

**Q8. Discuss five different functions that a ship management company can carry out for an owner and what is involved in each?**

The answer should have made mention of full management, technical management, procurement, or supply, operations, administration and crew management. Variation on these such as mentioning chartering, accounts, bunkering were marked on the basis that they are part of one of the above five.

Students should clearly understand the difference between company accounting and what function the administration department does, which is restricted to the ship accounting.