

MAY 2018 - ICS Examiners Report

SHIPPING BUSINESS



Q1. You have been tasked by your senior management to set up a quality control system for your operations department. How would you go about setting this up and ensuring that proper checks and balances are in place? What are the advantages and disadvantages of having a quality management system?

What the Examiners were looking for in your answer

It is a documented process that records the company's administrative functions, processes and operational procedures. Mention ISO9001:2015 or any of the equivalent older systems as well as the ISO14001

Obtain buy in from staff and their active participation in drawing up these procedures

Use a national or internationally recognised independent assessment body and give examples of these.

Draw up an ISO manual

Advantages – demonstrates quality, ensures same high standard of performance, continuous improvement, good advertising

Disadvantages – cost of inspection and training, time required by staff & management, requires a change in culture and getting over the resistance to change

Where students went wrong

There were quite a few papers that strayed onto discussing ISM, which is not the same as a quality management system for an operations department.

The need for internationally approved assessment body and the naming of any of these was not given nor was ISO actually mentioned

Q2. The dry bulk and wet bulk charter parties have a number of variances such as how freight is charged. Explain hire, freight and world scale and what impacts on these.

What the Examiners were looking for in your answer

Explanation of hire, freight, world scale, what type of charter party they apply to and how they work

Impacts – know that demand for commodities will affect the rates as will the supply of ships, threat of war, weather conditions, speculation.

Where students went wrong

This was a three part question, some students discussed one or two of options, i.e. freight or hire or world scale.

Others provided an explanation of how freight and hire payments would be made for voyage chartered, time chartered and bareboat chartered ships, but did not go onto discuss world scale.

The second part of the question required details of supply of ships, demand for commodities, influences of the freight, newbuilding, second hand; demolition markets, macro influences including wars, weather and speculation.

Q3. Despatch and demurrage are important factors in any shipping contract. As the port agent what are your responsibilities to the owner and charterer in ensuring these are properly complied with and how are demurrage and despatch calculated.

What the Examiners were looking for in your answer

Explain despatch and demurrage and what their functions are. Know that it is to compensate the owner in a voyage charter for time spent in port over what was indicated by the charterer when the load/discharge rates were given during the negotiations.

State that it is not a penalty or a reward to owners. Know that it is to cover the additional time in port and mention what additional costs the owner would have incurred. Similarly why is despatch shared?

Agent needs to assist with tendering NOR, keep a record of all activities from when the ship arrives and right through to completion of cargo activities, record weather delays, stoppages, crane breakdowns, draw up an accurate statement of facts, present same to the Master, preferably give it to him on a daily basis so no surprises at the end.

Draw up the laytime statement.

Know the CP terms so that you have an awareness of how long the ship has to load or discharge and assist in ensuring planning is done to meet these target

Mentioning that giving input on port performance during owners negotiations

Where students went wrong

Students did not identify some of the main responsibilities of the agent, including being aware of the charter party terms, drawing up a laytime statement, assisting in ensuring planning is done to meet targets and having an involvement in giving input on port performance during owners negotiation stage.

Students needed to mention the statement of facts and that it is done during the course of the port stay.

Students did identify the difference between demurrage covering extra time used in excess of agreed laytime and despatch with time saved, which is shared as a financial and time benefit between owners and charterers. However, some answers then opted to do demurrage calculations, which they did not need to.

Q4. World weather patterns have an impact on shipping and the safe carriage of goods. The loadlines Regulations became an international convention in the 1930's, what does the loadline measure, what factors do they take into consideration and why. Give examples of countries, or ports that should be in one zone but are demarcated as a different zone.

What the Examiners were looking for in your answer

Define where the loadlines is measured from and to where.

Correctly draw the loadlines

Know that they can vary depending on time of year, world weather patterns, density of the water, and the loadline zone

Mention Plimsoll

The requirement for reserve buoyancy

Summer zone is manipulated so as to ensure the whole country is in one zone, i.e. South Africa, or for commercial expediency in cases such as New Zealand, which is reflected as a summer zone instead of a winter zone

Where students went wrong

Students did not give clear definitions of loadline incorporating the Plimsoll mark.

Drawings of the loadline mark were not very clear. There were a lot of answers which spoke about draft and not about freeboard.

Attempts were made to explain the need for reserve buoyancy, the division of the world into loadline zones and seasonal zones affected by weather patterns.

There was not much mention of the Loadline Convention 1966/1988 and 2003.

There were few attempts were made to identify summer zone manipulation.

Q5. The bill of lading is the most important documents in facilitating international trade. Discuss the functions of a bill of lading and the differences between a long form and a short form bill of lading

What the Examiners were looking for in your answer

Give an explanation of each function

Receipt, condition of cargo, mates receipt, clean bill of lading/dirty bill of lading

Evidence of a contract – contract negotiated prior to shipment through booking note, charter party,

Document of title – cargo considered untouchable whilst at sea, to order bills of lading, letters of credit, endorsing the bill

Long form bill of lading used in liner trade, details of contract

Short form bill of lading used in tramp trade as details reflected in Charter party

Where students went wrong

Some students did not identify and explain the three B/L functions.

Only a few answers provided an explanation of the differences between the long form used in the liner trade and the short form used in the tramp trade.

Q6. A client has contacted you in your role as a liner agency. They are planning to purchase a container of car parts in China for delivery via your liner service to a named buyer's warehouse. They are seeking advice from you about appropriate Incoterms for their trade deal. Recommend THREE Incoterms to the client that they could use for their planned cargo, explaining how each works and the reasons for your choice of each term. Which option would be your first recommendation and why

What the examiners were looking for in your answer

Choose from the following. EXW - Ex Works, FCA - Free Carrier, CIP - Carriage and Insurance Paid To, CPT - Carriage Paid To, DAT - Delivered at Terminal, DAP -Delivered at Place, DDP - delivered duty paid. Terms for sea and inland waterways include: FAS - Free alongside ship, FOB- Free on-board (plus FOB stowed, FOB stowed and trimmed and FOB with services), CFR- cost and freight and CIF - cost insurance and freight.

Explain how each one works, why it is of advantage to the shipper.

Looking for the rationale behind the choice and it needs to be correct

Where students went wrong

Students needed to recommend three Incoterms to a client planning to purchase a container of car parts in China for delivery via their liner service to a named buyer's warehouse. In each case an explanation was required of how the Incoterms worked and the reasons for choosing each term and the last part was which one you would recommend to your client.

Students needed to highlight where property and risk passed and the provision of insurance.

The question only required three options just wasted your time as the examiner will only mark the first three given.

Explanations of the preferred term were not very clear.

Q7. Discuss the four core areas of liner agency

What the examiners were looking for in your answer

An explanation of each of all of the four areas was required

Work on the ship

Outward cargo

Inward cargo

Dealing with the Principal

Where students we wrong

Students needed to prepare their answer carefully. They were not marked down for this, but we do feel that with more planning students could have gained more marks.

A number of answers revolved around the husbandry functions of an agent. Others assumed what the marketing department does and where they fit into the picture.

Students needed to discuss the responsibility for ensuring containers were turned in and made ready for release

Students also needed to show that they knew what dealing with the principal involved

Q 8. Iron ore is the single largest drybulk cargo traded. Give details of the nature of the commodity, the types of ships it is carried in and using the world map provided, show three possible load and discharge port, the routes the ship would follow and make mention of any possible hazards along the routes.

What the examiners were looking for in your answer

Specialist bulk carriers with small holds and structural arrangement to provide strength and reduce stress. Name VLOC, Chinamax or Capesize bulk carrier

Cargo details – heavy cargo used for production of iron and steel. SF 0.4m³

World map must show load ports and these need to be named ports. Tubarao, Guiaba, Sepetiba, Huasco, Guayacan, Boca Grande, Palua Puerro Ordaz, Port Cartier, Seven Islands, Saldanha Bay, Nouadhibou, Esperance, Geraldton, Port Hedtland, Darwin, Dampier, Port Walcot, Paradip, Kakinada, Chennai, New Mangalore, Murmugoa Haldia, Navik.

Discharge port will accept as long as named type of ship can get in and it is geographically correctly placed.

Routing should be clear and not go over land

Hazards should include weather conditions they may encounter, possible pirate areas, and congested shipping areas.

Where students went wrong

Students did not need to discuss the fact that iron ore is the one of the most traded cargoes.

Some answers showed ports in the wrong position or in the wrong country, or were not mentioned at all.

Students needed to ensure that their route drawing didn't cross over land masses.

Students needed to show hazards of the route and the possibility of congestion, at sea and also at the ports. Some hazards mentioned were not on the routes given and so marks were not awarded.