



# EXAMINER'S REPORT NOVEMBER 2018

## INTRODUCTION TO SHIPPING

### General comments.

The questions set for the November 2018 exam sitting provided students with the opportunity to demonstrate their understanding of the key principles in Introduction to Shipping. Some students were able to appropriately demonstrate a sound knowledge of both theory and practice.

Exam technique and time management were fine in most cases. Students must write a clear introduction, body and conclusion, which would greatly improve their structure and create a well-developed answer. Students need to take the time to properly read the questions, instead of writing everything they learnt, without answering the question. Overall the session was a good attempt at what was a comprehensive Introduction to Shipping question paper.

### 1. What key conventions and other measures have been taken by the IMO to facilitate safety at sea.

This question required students to identify four IMO marine safety conventions. Once again, students did not read the question correctly and instead wrote all about the main conventions, consequently, they did not discuss the marine safety conventions. Students were expected to cover such conventions as SOLAS, ISM, COLREG, STCW created under the auspices of the IMO from its inception, and its leadership role in responding to disasters at sea.

### 2. Discuss the rights and the duties of a port agent to their principal. Use examples to support your answer.

Students were required to discuss the role of a ship's agent in relation to their principal; how a relationship is brought about; identifying the key responsibilities to be discharged. Many students did not cover the contractual and non-contractual duties. Many did, however, discuss the key responsibilities of the agent, prior to the ship's arrival, approaching the port/harbour, upon arrival, loading & reloading, after departure. This was very good and high marks were awarded for this.

### 3. Discuss the role and responsibilities of a Dry Cargo Chartering broker AND a Sale and Purchase broker.

This question was attempted by many students and some who did were able to gain good marks. Many students were able to define and discuss the S&P broker role in deals to buy or sell new, second hand or demolition tonnage. Many students were also able to identify the need for a specific skill set such as a negotiator with wide-ranging knowledge of the technical aspects of ships. Students then needed to go on to discuss the S&P broker may also advise on registration, classification and sources of finance. Most students answered the Dry bulk element very well touching on how brokers have a strong knowledge of the market. Some students went on to discuss the impact on freight

rates driven by sudden shifts in demand, for example, in different commodities which can trigger a rise in rate in their own trade.

**4 Answer BOTH parts of the question.**

**a) What are the main elements of time charterparties and voyage charterparties?**

**b) Give an example of when a ship owner would use each of these?**

Most students were able to correctly define a voyage and time charterparty and covered adequately the main elements. Part b required the students to be able to give examples when a shipowner would use each. Students were expected to cover in their discussion examples where the owner wants to reduce the impact of volatility of rates faced in the spot market. Also, shipowner may want to reduce the hassle of having to fix the vessel after each voyage. Finally, it allows a fixed cash flow for the chartered period which can be very useful especially when rates are low.

**5. Answer BOTH parts of the question:**

**In shipping, cash flow and fluctuating rates of exchange can affect the profitability of any business unless managed properly. As an independent liner agent explain:**

**a) Why is cash flow so important?**

**b) How would you manage the volatility of the local currency in your business?**

This question was intended to test student's understanding of the importance of cashflow.

A deeper discussion on having cash on hand is critical, but cash flow indicates an ongoing ability to generate and use cash. Students were also expected to discuss cash flow also giving agents greater flexibility in responding to emerging dilemmas or making critical decisions.

Part b of the question required students to discuss the pegging the daily exchange rate prior to vessel arrival and working out the bank's forward rate. Knowledge of the banks' buying and selling rates and the risks associated was required, along with exchanging currency at favourable rates. The students who were able to cover the critical point scored top marks.

**6. Answer BOTH parts of the question:**

**a) Using the world map show the areas affected by ice and the time of year these occurs.**

**b) Discuss the impact of ice on maritime trade.**

Students were required to correctly show the areas affected by ice. This should have included the Baltic, Gulf of Finland, St. Lawrence River and Great Lakes, Hudson Bay, Alaska, Russia Far East, China, N. Korea, and Black Sea.

Part b required students to look at the impact which would have included delays caused by ice have all been held to fall upon the ship-owner. Also, if on account of ice the master considers the berth unsafe, he has the liability to sail to a convenient open place to await charterers fresh instructions. In some instances, the CP may be clausued "or so near thereunto as she may safely get". A court may

decide whether the ice was temporary.

**7. Answer BOTH parts of the question.**

**a) Describe a typical major container line operator, showing the routes, ports of call and major waterways on the world map provided.**

**b) Identify on the world map provided an east/west trade with two feeder services: one connecting to ports in Australasia and one connecting to ports in South America.**

Students were expected to touch on operators being a member of an Alliance or Consortium. A discussion on the participant in major East/West trade with hub ports transshipping to North/South trades and feeder routes was required. Specific features such as named day sailing, usually weekly and berthing windows at ports of call would have illustrated a sound understanding of the subject matter.

**8. Answer BOTH parts of the question:**

**a) Discuss the four elements of a contract under English law and their importance in concluding a contract.**

**b) Based on the above, use examples of each of the elements of contract law to a charterparty during its fixture, giving an example of a fixture.**

Most students were able to appropriately identify and discuss the main elements of a contract and many were able to go on and use a shipping example such as a charterparty or bunkering contract to further illustrate their discussion.