



EXAMINER'S REPORT NOVEMBER 2020

INTRODUCTION TO SHIPPING

General comments:

The November 2020 paper was a thorough exam covering the core elements of the syllabus.

Generally students made a reasonable attempt at the paper with consistently better time management. Many students did well in completing most questions with a clear structure including introduction, discussion and conclusion. This improved structure and well-developed answers allowed some students to score higher marks overall. Unfortunately, the maritime geography questions were poorly done, which resulted in marks being lost.

Question 1:

Answer BOTH parts of the question.

1. Select FOUR of the following abbreviations and explain their meaning and their application.

- a. NOR
- b. SHINC
- c. TEU
- d. LCL
- e. CHOPT
- f. IWL

This question was attempted by a large number of students.

Despite this question being there to assist students to achieve solid marks, many students failed to correctly define some of the terms. Many students did not know what Notice of Readiness 'NOR' is or how it operates. Twenty foot Equivalent Unit TEU was also very poorly attempted. Generally, definition questions are aimed at assessing students' ability to define and discuss key terms which are central to the syllabus.

Question 2:

Describe a vessel that would be suitable to carry butane or propane gas and draw a profile and plan view of the ship giving the main specifications

This was a reasonably standard question. Many students made a fair attempt but the cross sections were very poorly illustrated. Students were expected to include points such as the gases are liquified prior to loading. The LPG carrier will have a refrigeration system that can carry the cargo at a temperature of minus fifty degrees C. Some discussion around the cargo tanks cylindrical construction would have been good. Unfortunately, many students also got the dimensions incorrect.

Question 3:

Answer ALL parts of the question.

Discuss the role of a Ship Classification Society and explain how a vessel obtains and retains its class.

What was being looked for by the examiner ?

Many students did quite well on this question which was impressive. However, some students did not describe how Class operates, nor referred to its rules and linking it to the enforcement of Maritime Conventions. Many made no reference to the shipbuilding phase which is fundamentally important. Few covered the role of Class's after maritime incident, including investigations and damage repairs. Another key point students should have included was the importance of Class for vessel seaworthiness and certificate of quality, without which vessels will not be able to obtain insurance cover by most P&I and Hull & Machinery insurers.

Question 4:

4. Discuss why cash flow is very important to a company and what can be done to ensuring a company's cash flow positive?

What was being looked for by the examiner?

A large number of students did not attempt the first part of the question focusing on the importance of positive cashflow. Many students confused high levels of cash flow with positive cash flow, whilst some did not use the correct terminology. Additionally students confused Profit and Loss with Balance Sheet. The remainder of the question should have covered points such as companies asking for funds upfront, cash payments, reduced credit periods, limited credit amount and monitoring of expenses.

Question 5:

5. Answer BOTH parts of the question.

a. Using the world map provided draw and label the complete set of main latitude, longitude lines and name all the main oceans.

b. Using the world map provided identify FIVE (5) of the major iron ore importing nations.

What was being looked for by the examiner

This was a popular question with mixed results. Many students did not correctly, identify and label the latitude and longitude lines. The main oceans were identified except the Southern Ocean in many cases. Some students identified load ports instead of countries and some gave both export and import ports and/or countries.

Part b was very straight forward, any of the top importers of iron ore would have gained easy marks. With top students having some data points on the volume, value or percentage on any of the major iron ore importing nations. The very top students should have been able to identify that China was by far the leading importer of iron ore.

China: US\$99.8 billion (69.1%)

Japan: \$10.9 billion (7.5%)

South Korea: \$6.9 billion (4.8%)

Germany: \$3.9 billion (2.7%)

Netherlands: \$2.9 billion (2%)

Taiwan: \$2.3 billion (1.6%)

France: \$1.5 billion (1%)

Malaysia: \$1.3 billion (0.9%)

Turkey: \$1.1 billion (0.8%)

United States: \$842.1 million (0.6%)

Question 6:

Answer BOTH parts of the question:

- a. Define derived demand in shipping.**
- b. In the wet bulk sector discuss the main categorisation of cargoes.**

What was being looked for by the examiner

Many were able to successfully identify shipping as derived demand presenting an adequate definition and discussion. Some students provided a deeper discussion on both demand and supply factors of world trade. Stronger students covered the dynamics in GDP growth with shipping freight rates as a good example where demand is derived in specific commodity sectors. Part b required students to cover the main categorisation of cargoes such as clean, dirty, chemicals, gas, vegetable oils and juices.

Question 7:

Answer BOTH parts of the question:

- a. Discuss the requirement for seaworthiness under the Hague-Visby Rules.**
- b. Identify FIVE (5) different types of Bills of Lading.**

What was being looked for by the examiner

This was a challenging question for some students as the key phrase is 'exercise of due diligence'. Top students were able to appropriately and clearly discuss seaworthiness in the context of the Hague-Visby Rules Art III. Unfortunately, some students referred to Art III without any reference to due diligence. To gain top marks students should have discussed that ship should be properly manned, complying with the minimum manning as per minimum safe manning certificate. The ship should also be properly equipped thus having all the equipment onboard and in working condition.

Part b was suppose to be a bit more straight forward requiring students to identify different types of Bills of Ladings such as:

- Straight, used where shipper and receiver are known.
- Oceans, used for bulk ocean carriage.
- Liner, used in the container segment when handling chargers are included.
- Multimodal, used when a variety of transport modes are being used.
- Through, used when the cargo is transhipped but the carrier provide continuous documentary protecting for the entire shipment.
- To order, used when the receiver or buyer is not know at the point of shipment.

- Seaway bill, used where import and export are the same or receiver are known.

Some students went on to discuss the functions of a bill of lading which was not required by the question, thus no marks were awarded for that element.

Question 8:

8. Answer BOTH parts of the question:

- a. Identify THREE (3) different types of business entity structures and when they should be used.**
- b. Discuss the concept of limited liability.**

What was being looked for by the examiner

This was another very straight forward standard question. Many students made a successful attempt at part (a). Unfortunately some failed to discuss part (b). For this section students were expected to discuss the main aim of limits of liability is that if a company with limited liability is sued, then the claimants are suing the company, not its owners or investors. Thus the maximum liability would be that of the funds invested in the company and nothing more. So if a shareholder purchased ten shares at £10 per share, they would only have to repay £100 if their company fell on hard times and could not pay its outstanding debts.