

May 2023 SSP Examiner Report

General

Results were a definite improvement from the last exam session – candidates were for the most part well prepared and some very good marks were achieved. Most of those who did not pass simply failed to answer the requisite number of questions.

Handwriting remains an issue and some scripts were difficult to decipher.

There was the usual split where questions of an essay type were less well answered than those of a more informational/descriptive type.

Detailed comments on each question are set out below.

- 1. On the sale of a secondhand ship, the sale contract will require the vessel to be in a certain condition on delivery. Using a Saleform of your choice, identify and explain the contractual terms as to vessel condition.**

A question testing knowledge of Clause 11 of Saleform 1993 or 2012. Candidates should have mentioned:

- Vessel to be delivered with “everything belonging to her”
- As she was at time of inspection
- Fair wear and tear excepted
- Free of cargo and stowaways (not relevant if answering re the 93 form)
- Class maintained free of conditions/recommendations
- Free of average damage affecting Class
- Class and national certification valid and unextended

Marks were available for explaining that “inspection” means the Clause 4 inspection or if none was done the time of inspection is held to be the date of the Agreement.

Also marks were available at the examiner’s discretion for a well-structured answer that indicated an awareness of the importance of vessel condition issues.

This was not a particularly popular question and results were very mixed. Either the candidate was aware of the terms of clause 11 and got good marks or they were not. Too many students however did not focus on this clause and instead discussed Clause 6 (underwater inspection), clause 7 (bunkers), clause 9 (free of encumbrances). Those that mentioned these clauses within the context of clause 11 where relevant were awarded marks, but those that did not show sufficient knowledge of clause 11 itself did not pass this question.

Pleasingly however some candidates showed a very good understanding of issues such as what constituted fair wear and tear.

2. Answer BOTH parts of the question.

Ship valuations are an important part of the sale & purchase broker's world. Describe and explain a) who would require an official valuation and b) what valuation approaches may be used, and what each valuation method involves.

A two part essay question.

A) Candidates should have described and explained why the following persons might need to see a valuation:

- Tax authorities
- Businesses involved in corporate takeovers
- Finance banks
- Lawyers and arbitrators
- Owners

The above list was not intended to be exclusive and candidates could mention other plausible recipients

B) Candidates should have described and explained:

- Mark to market (willing seller/willing buyer based on current market value)
- Cash flow (Hamburg Shipbrokers Association calculation)
- Replacement value

The point that the ship is not inspected, but is assumed to be in class and seaworthy condition, should have been mentioned.

Marks were also available at the examiner's discretion for a well-structured answer or for mentioning other relevant points.

A moderately popular question and marks were on the whole good though rarely exceptional. Candidates tended to be much better at answering part a) than part b) – not that many candidates could give much description of the cash flow or replacement valuation methods and many only mentioned the mark to market method. Also candidates should have been aware that brokers neither see the ship nor are able to access the class records. Even if they did, their expertise is necessarily restricted to their field, i.e. the market value of the ship in question.

3. Shipbuilding contracts for commercial vessels typically contain at least 5 instalment payments. Describe at what stage in the shipbuilding project each such usual instalment would be due, what percentage of the total price each instalment could constitute and why such stages are important markers in the project.

Not a question specifically on Newbuildcon or any other particular contract form – but a question of general knowledge about shipbuilding projects.

Candidates should have mentioned the following five stages:

- i. Contract Signature
- ii. First Steel Cutting or, sometimes, arrival of materials at yard
- iii. Keel Laying
- iv. Launch
- v. Delivery

They should also have explained briefly what the stage comprises

A plausible percentage split for the instalments should have been mentioned – e.g. 10/10/10/20/50

Marks were available for explaining why the above stages have become the industry standard payment profile – i.e. the balance between buyer and builder risk at each stage depending on market conditions, and that the yard can use this advance payments for its own uses.

Marks were also available at the examiner's discretion for a well-structured essay or for mentioning other relevant points – e.g. who signs stage certificates (supervisors, buyer's representatives).

A popular question and marks were on the whole good and sometimes very good. Most candidates could identify the five typical payment stages though the level of detail in their description of them was sometimes not satisfactory. Most candidates proposed plausible percentage splits for the payment instalments and were able to show how these flexed with market conditions.

Some candidates got confused between shipbuilding contracts and secondhand sale contracts and erroneously described the first instalment as a deposit.

4. Identify and describe the documents a seller will be required to provide on delivery - both at the documentary closing meeting and onboard the vessel.

A straightforward question testing knowledge of standard delivery documentation. Candidates should have mentioned:

- Bill of Sale
- Corporate resolutions
- POA
- Transcript or equivalent
- Declaration of Class/CMC
- Deletion Certificate
- CSR
- Vessel invoice
- Bunkers/lubes invoice
- Satellite provider cancellation letter
- No blacklist letter

Marks were available at the examiner's discretion for detailed description.

And in respect of completion onboard the following should have been mentioned:

- Class certs
- Plans/manuals/drawings (except ISM/ISPS manuals)

A very popular question and marks were good, sometimes very good. Most candidates were able to identify and describe the delivery documents or at least the great majority of them. Sometimes the description given was a little thin however. There was in some cases a noticeable misunderstanding of the differing roles of Class and Flag with erroneous statements that it was Class who issued transcripts or deletion certificates.

5. A buyer of a secondhand vessel may wish to inspect a vessel's Classification Records. Explain why this is done and describe what information a buyer may be looking to find and who is best qualified to check such records.

A general essay question testing knowledge of:

What Class Records contain – records of Special and other Surveys, Notations, Conditions and Recommendations

Who is best placed to understand Class Records – qualified technical personnel e.g. marine surveyors, engineers and port captains

How Class Records can provide a picture of historical maintenance and condition of the vessel and any recurrent problems and how in turn this may impact on price

Marks were available at the examiner's discretion for a well-structured essay

Not a popular question and with some exceptions answers were unsatisfactory. Some candidates wrote good essays but many simply did not show sufficient knowledge of what Class Records contain, with confusions evident in many cases including that somehow Class Records would contain details of encumbrances. Also few candidates were able to properly identify who was best placed to understand the records, assuming that this was simply a broker role.

6. Describe the steps in a demolition sale from a vessel's arrival at the outer anchorage to its beaching and identify the risks involved.

A general essay question testing knowledge (in broad terms) of such steps as:

- NOR
- Delivery to buyers (payment etc)
- Beaching (including embarking of buyers' beaching crew)

Candidates should also have identified some of the risks involved in terms of health and safety issues and contamination with hazardous materials (asbestos etc)

Marks were also available for mentioning that demolition may occasionally occur alongside a dock rather than on a beaching site

Not a particularly popular question and results were disappointing. Few candidates were able to describe the steps involved beyond the physical act of beaching itself and the discussion of risks tended to become a discussion of risks in dismantling itself not as the question asked the risks attendant on the anchorage to beaching stage.

7. Answer all parts of the question:

- a) Provide a detailed description of a capesize bulker as would appear on a typical secondhand sale and purchase circular stating size, dimensions, machinery and other significant equipment and features.
- b) Draw a profile and cross-section of the vessel.
- c) Label the dimensions and other significant parts of the vessel.
- d) On the world map provided show THREE typical trade routes of the vessel.

The usual ship-type question

- a) A description on the following lines:

DWT – c. 170,000 – 210,000 mt

LOA – c.230-290 m

Beam – c. 45 m

Draught – c. 18 m

Engine – c. 20,000 – 25,000 BHP

Speed – c. 13 kn

- b) Standard plan (profile and cross section) for a capesize bulker

- c) Labelling of plan

- d) refer to Lloyds atlas – any credible routes accepted

As usual marks were available at the examiner's discretion for detailed knowledge

A very popular question and almost always well answered. Candidates showed good understanding of the specification of a capesize. The plans were sometimes a bit messy but labelling on the whole was good. Maritime geography knowledge was mixed and this needs attention as while this aspect had been improving in recent exam sessions it now seems to be slipping back.

8. Your client wants to make an offer for an MR product tanker on an outright basis. Draft a full terms offer for their approval.

This question was testing the knowledge of a full terms offer including the correct terms and language used in such an offer.

The following essential terms should have been drafted in clause form:

1. Price
2. deposit
3. payment
4. inspection declaration
5. notices (time)
6. delivery range/date and cancelling
7. underwater inspection whether diving inspection or drydocking
8. Spares, exclusions and bunkers/lubes
9. Documentation

10. Condition on delivery

11. Law/jurisdiction/arbitration

This was the bare minimum. Marks were also awarded for clauses that recognised that the vessel in question was a product tanker, e.g. tank cleaning, gas free for man entry on delivery etc and details of previous cargo grades.

A popular question, though not quite as universally popular as in previous exam sessions. Marks were generally high – and most candidates produced credible offer terms. Only a few candidates showed awareness of vessel type unfortunately. A handful were caught out by not reading the question and noticing that the offer was to be an outright one.