

EXAMINERS REPORT

SHIPPING BUSINESS

May 2025

General comment

A well answered paper with students once again returning to the format of writing essays as opposed to the recent practice of point form answers. It is encouraging that students incorporated current events into their arguments and demonstrated a good understanding of the geopolitical situation.

Question 1

A **new buyer** has purchased a cargo of iron ore from Tubarao, Brazil, from an **established seller**.

- A) Describe four different methods of payment and recommend one method of payment that may be used for the above iron ore cargo purchase.
- B) Recommend an appropriate INCOTERM for this purchase, describing the associated risks and responsibilities of the seller and the buyer

What we were looking for:

It was important to recognise that this was a new buyer, so the seller would be nervous to offer credit until some form of track record had been established. The preferred methods for the sale would be cash in advance, documentary letter of credit, or a bill of exchange. An open account is also an option, as long as the answer acknowledges that this involves taking a risk and is usually restricted to well-known clients. Most answers went on to discuss the letter of credit as the preferred method. The preferred method was entirely up to the student; what we were looking for was the reasoning for this choice.

The suitable INCOTERM was left to the student to decide, and marks were awarded for an understanding of the chosen term and the logic behind its use. You needed to take into consideration that this was a new market for both parties. So, it was highly likely that neither party knew much about the logistics operations at the other party's port. Suggesting Ex works would make it hard for the buyer as they would have no knowledge

of trucking companies to move the cargo to the port, the clearing companies, stevedores, etc to ensure the cargo was loaded. The most practical terms would be FOB, CIF, or CFR. If the buyer was familiar with shipping and wished to arrange for the vessel, they could look to using FOB, which would also mean the seller is finished with their obligation when the cargo is loaded. CIF or CFR would be used if the seller was the more experienced party, as they would then arrange for the ship and the insurance and deliver the cargo to the discharge port. From there, the buyer would look after the clearance of the cargo and its delivery to their site. Other suggested terms were marked on their merits

Question 2

Describe the different types of charter parties used in maritime transport. Select one of these charter parties and explain the reasons for its use?

What we were looking for

This question is a two-part question, and so you had to consider that each part was valued at ten marks each.

There are three types of charter: voyage charter, time charter, and bareboat charter. What was required was a clear description of each of these. Contracts of affreightment are a form of voyage charters and trip time charterers are a time charter option. They are not to be considered as separate types of charter.

For the second part of the question, we were looking for examples such as the following

Voyage charter for the movement of a stated tonnage of specified cargo from a named port to a named port at an agreed freight rate. This may be used by owners to reposition a vessel, or by shippers who require a ship to move a fixed tonnage at this time. It could also be considered in a falling market where owners do not wish to commit their vessel to a time charter at current low charter rates. Contract of affreightment could be used by shippers who have a large tonnage to ship over a period of time, as this will allow them to tie in a freight rate for the entire tonnage. Owners would find this attractive if they were looking to reposition their vessels without having to do a ballast leg.

A time charter or trip charter may be required because of a range of forward cargo purchases that allow a low-cost hire to fit in with existing owned or spot tonnage needs.

Alternatively, and more often, the cargoes as yet have not been sold, making planning more difficult as no discharge port(s) are yet available. Shipping lines may also look to bring in additional tonnage to meet surge demands, and find that time chartering a ship in for these peak periods is forecast to be efficient.

A bareboat charter employment is a more unique venture by the demise charterer who has a good portfolio and strong market position, which can accommodate a long-term (15 - 20 years) venture involving a lower hire rate. This type of charter often involves the use of a ship management company that engages in a total management agreement with the principal for the ship. The reasons why a barefoot charter could arise were also awarded marks.

Question 3

You are about to be appointed by a new principal. Explain the actions you would take to verify that they are a bona fide company and that they are financially secure.

What we were looking for

An important outcome of any inquiry that you look to carry out is that at the end of it, you still have the client. Some of the suggested methods of checking would have resulted in the principal moving onto the next agent

- verify that they are an actual company
- request their bank's confirmation of their bank account
- Proof of address
- Company registration document
- Obtain a credit rating
- Request references
- Ensure that they are not from a sanctioned country
- Make checks with the Baltic Exchange blacklists
- Check with ICC
- Are they members of the ics
- BIMCO

The above are some of the ways in which you can verify their good standing, which are usually part of each company's KYC process.

Question 4

- A) Define and explain the functions of a bill of lading in international trade
- B) There are a number of ways in which a bill of lading can be used fraudulently. Discuss these and advise what can be done to prevent this

What we were looking for

RED- receipt of cargo, evidence of contract, and document of title. These are what needed to be explained in part A. There were some answers that thought the receipt was by the buyer and that the evidence of the contract was that of contract between the buyer and seller.

How can the bill of lading be used to commit fraud, encourage your dark side? Some of the answers were really well thought out. Whilst not all examples are given as per the below, they were all marked based on their merit and described method of prevention.

- incorrect date on the bill of lading. A reason for this could be that the shipper's letter of credit is about to expire, and they are asking for a bill to be signed in advance of the cargo being loaded. You should refuse to do this and advise owners of the potential problem
- Caused bills ion lading. Shippers ask for a clean bill to be issued on the promise of an LOI. The danger is that the receiver will refuse the cargo or claim against the owners. Do not accept the request and advise owners. Ideally, do not load the damaged cargo in the first place, but rather allow the shipper to rectify the problem by bringing new, undamaged cargo to replace the damaged cargo
- False declaration of quantity. Shippers claim to have loaded more cargo than they have. A draft survey should be carried out prior to commencement of loading or discharge on behalf of owners, and P&I should be called in to verify the quantity.

Question 5

Shown below are five major dry and wet bulk cargoes: crude oil, iron ore, coal, grain, and fertilizer.

Using each of the above only once, identify the most likely vessel that will carry this cargo from the following.

Handy size, Supramax, Panamax, Capsize and VLCC

From the following load and discharge ports, identify which would be the most likely load and disport for each cargo, using each port only once

Load	Discharge
Richards Bay South Africa	LOOP, USA
Murmansk, Russia	Lagos, Nigeria
Buenos Aires, Argentina	Mundra, India
Port Hedland, Australia	Nayoga, Japan
Mina Al Ahmadi, Kuwait	Alexandria Egypt

Clearly show your answer on the answer paper and using the world map provided, show and name all of the ports and the route of each of your chosen vessel between them and clearly identify the seas and other geographical features on the routes

What we were looking for

It was possible that some of the cargoes and ship types could be swapped around and if this was done, market were still awarded as long as the combination was logical

Cargo	correct ship	correct load/disport
Crude oil	VLCC	Mina al Ahmadi/LOOP
Iron ore	Capsize	Port Hedland/Nagoya
Coal	Panamax	Richards Bay/Mundra
Grain	Supramax	Buenos Aires/Alexandria
Fertiliser	Handysize	Murmansk/lagos

The map with the routes is attached

Question 6

Discuss the functions, aims and origins of four of the following organizations

- FONASBA
- International Chamber of Shipping
- OCIMF
- FIATA
- INTERCARGO
- IACS

What we were looking for

Based on you having to discuss four of these, you would be looking at five marks for each one.

FONASBA- Federation of National Associations of Shipbrokers and Agents. Formed in 1969 to represent the interests of liner agents, tramp agents, and shipbrokers engaged in the chartering of ships. Initially started by National European shipbroker and Agents Association. Now in 49 countries, representing 43 national associations, a further 6 countries are associate members. It is the authority on matters concerning shipbroking and agency and coordinates efforts to improve shipping contacts. The chartering and Documentary committee were involved with the NYPE 93, Norgrain 89 , AMWELSH 93, Multiform and Gencon revisions. The secretariat is in `London and it has consultive status at the UN. Also ECASBA represents European shipbrokers and agents in their dealings with the EU

International Chamber of Shipping established in 1921, current name since 1948.

Consists of national shipowners' associations representing all sectors of the trade. Covers about 80% of the world fleet. Concerned with technical, legal, employment, and trade policy. It belongs to the International Chamber of Commerce and interacts with intergovernmental bodies, such as IMO, ILO, WTO, and UNCTAD. Involved with the development of international conventions like SOLAS, and STCW. The International Shipping Federation 1909 acts on international employers association for ship operators and joined up with the ICS in 2011

OCIMF - Oil Companies International Marine Forum - formed in 1970, it is a voluntary association consisting of 98 oil companies. Its mission is to be the foremost authority on safe and environmentally responsible operations of oil tankers, terminals and offshore support vessels. Mention Torey Canyon incident 1967. It has consultative status at the IMO. SIRE inspection program, which addresses the concerns with sub standard shipping. OVID (offshore vessel inspection database) and MTIS - maritime terminal information system, TMSA- tanker management self assessment

FIATA- The International Federation of Forwarding Agents Association The acronym is from the French title (Federation Internationale des Association de Tranitaires et Assembles). Founded in 1926. It is a non governmental organization with a global voice for the freight logistics industry. Representing over 40000 forwarding companies in 150 countries. Active in airfreight, customs and multimodal transport as well as shipping. They produce recommended documentation such as non negotiable waybills, shippers dangerous goods declarations, multi modal transport bills of lading and warehouse receipts.

Intercargo - International Association of Dry Cargo Shipowners. Established in 1980 to represent the interests of shipowners in the dry cargo sector. Original members were mainly Greek, with some Scandinavian and Hong Kong companies involved. Now has over 160 companies and groups as members representing over 500 million deadweight tonnes of dry bulk shipping. Its function is to promote and protect the interests of private, independent owners. It considers policy issues that may affect the health of the sector. It also provides its members with information, advice, guidance, and representation. It has active policy, technical, and commercial committees. It participates in the IMO and is a member of the Round Table of International Shipping Associations.

IACS - International Association of Ship Classification Societies. There are only 12 classification societies that are members of IACS, and they represent 90% of the world's cargo carrying capacity. To be a member they must satisfy demanding criteria on quality systems and procedures. They can be suspended for not meeting these standards. Involved in the full life cycle of the ship from design to demolition. Members are ABS, BV, CCS, CRS, DNV, IRS, KR, LR, NK, PRS, RINA, and TL

Question 7

Answer both parts of the question

1. Draw a diagram of a typical load Line symbol that would appear on an ocean going vessel, labelling it with the appropriate Load Line marks
2. Explain how Load Lines are used in voyage planning and estimating, using a voyage of a capsized bulk carrier from Port Cartier to Ningbo as an example

What we were looking for

If you gave a brief history of their originals and mentioned Samuel Plimsoll, you earned a mark. Getting the drawing correct and the positioning of the lines and the letters was required. Some answers forgot to not the white block at the weather deck height or that this is where the freeboard is measured from.

Putting in the timber lading marks was not required and it seemed too confuse some candidates as to the correct positioning of them and what side of the lading mark they should go. No marks were deducted for getting this wrong

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For part 2 You were expected to know the location of both ports and the prevailing load line mark that the ship had to comply with. It was also important to state that the ship had to comply with the minimum freeboard for all zones on the voyage. The voyage passes through summer, tropical and winter zones and that the St Lawrence Seaway is fresh water

Question 8

The term shipbroker encompasses a wide variety of activities. Discuss two of the following, explaining the main business function and the relationship between the practitioner and the principal

- port agent
- Liner agent
- Ship operations and management
- Ship sale and purchase
- Dry cargo chartering
- Tanker chartering

What we were looking for

Below are some of the areas that you could have discussed for your chosen practitioners

Port agent - looks after the needs of the ship and the crew prior to, during and after the port stay. Give a list of the functions

An agent is a person or company that provides a service between two parts, so the agent represents that ship through undertaking the services and duties between themselves and the principal. Be able to identify the principal in a voyage and in a time charter. Know that the principal is the one who is paying his fee. Mention how the agents paid.

Liner agent - dealing with the ship, dealing with outward cargo, dealing with inward cargo, dealing with the principal. Agency offices remote from the ports

Agency contract in place, agent may be restricted to only servicing one liner principal, the contract must be of a reasonable duration as they have to employ a large team to look after the principal. FONASBA liner agency contract. How are they paid?

Ship operations and management - describe the services - full management, technical management, operations management, administrative management, crew management. Mention SHIPMAN 2009 and CREWMAN 2009. How are they paid?

Ship Sale and Purchase - new builds, secondhand market and demolition. Describe the process of selling/buying a ship in each market. With the secondhand market mention the need to drydock. MOA between buyer and seller.

Contracts such as SALEFORM 2012, Nippon Sale Form 1999 and Singapore ale Form 2011

Their role as a valuator and ability to arrange financing for the purchase. How are they paid?

Dry Cargo Chartering - describe the role of the three types of brokers - in house, exclusive and competitive. Concerned with the carriage of raw bulk materials (iron ore, coal, grain, etc). Mention the Baltic Exchange

Tanker chartering - specialist sector with specialization in crude oil, petroleum products , chemicals and liquified gas. Market dominated by the oil majors, (ExxonMobil, Chevron, Total Energy, Shell, BP etc). Charter in from independent ship owners. Majors have in house brokers. Only one broker involved in the deal. How are they paid?