

INSTITUTE OF CHARTERED SHIPBROKERS

APRIL 2009 EXAMINATIONS

MONDAY 20 APRIL – MORNING

INTRODUCTION TO SHIPPING

Time allowed – Three hours

Answer any FIVE questions – All questions carry equal marks

1. The United Kingdom imports considerable quantities of coal from overseas, even though possessing plentiful reserves; give reasons for this. Using the world map provided, support your answer indicating coal sources, trade routes and the carrier type and size.
2. What are the functions of ‘Plimsoll Marks’? Draw a typical set of marks and indicate the Classification Society which has assigned the marks. Extend and explain the abbreviations used in your diagram.
3. Having agreed a purchase price for a second hand bulk carrier, the flag has now to be selected. Outline those types available and discuss the advantages and disadvantages affecting your choice.
4. Since their introduction, containers have been carried by increasingly larger ships. Discuss the reasons for this dramatic growth and comment upon whether you think that the upper limits have now been reached. Within your answer examine how the possibility of international recession may affect this trade.
5. A self employed person, having established a profitable business, is in danger of losing some major customers due to his being unable to cope with demand. He is advised carefully to consider entering into a partnership or perhaps even becoming an employer through a private limited company. Outline some of the advantages and disadvantages attached to these options.
6. Describe the function of an agent. In legal terms, how can the relationship of agency be created and what are the rights and duties imposed as between agent and principal?
7. It is sometimes said that in a voyage charter the ‘NOR’ is usually the first document issued, whilst the ‘SOF’ is often the final form completed prior to departure. Describe both these forms, paying particular attention to their purpose, supported by examples.
8. Bulk liquid cargoes are carried in tankers described as ‘dirty’, ‘clean’, ‘chemical’ and ‘gas’. Name some of the cargoes for each category, comment upon their different tank requirements and preparations required for loading.

THE INSTITUTE OF CHARTERED SHIPBROKERS

INTRODUCTION TO SHIPPING (IS)

2009

EXAMINER'S REPORT

OVERALL COMMENTS

The trend again this year is marked by a downward graphical score slope; although pleasingly a far higher percentage of candidates attempted the required FIVE questions.

QUESTION 1 – COAL / COMPARATIVE ADVANTAGE

This was the first year when outline world maps had been supplied and pleasingly most students answering this question made an attempt to trace voyages. The few attempting this answer who did not present a drawing immediately lost 50% of available marks. Pleasingly high scores were obtained, with one common fault being to name the carrier type but without any explanatory 'dwt'. The popularity of the question reflects the generally improved geographical knowledge of students in comparison with previous years. Additional marks were awarded to those who named sources and coal exporting ports.

QUESTION 2 – PLIMSOLL MARKS

Quite a popular question, with the 'Marks' drawn mainly in the correct position and the issuing Classification Societies named. The few who did not supply a drawing immediately lost 50% of available marks. Quite high scores were awarded, especially to those who correctly drew and extended the abbreviations plus explanations. Surprisingly a high number of answers contained detailed histories of both the originator and the underlying purpose attached to the 'Marks'. Disappointingly there were few references to 'Freeboard'. The prime criticism, reflected by the lower scores, was failure to extend the abbreviations. Bonus points were awarded for the few who used the outline maps to illustrate the various 'Load Line' zones.

QUESTION 3 – FLAGS

Unfortunately this proved to be a poorly answered question with much confusion between registration flags and 'Courtesy' flags. Those who commented upon 'Off-Shore/International/Second Registry' flags were very much in the minority. The highest scores were obtained by those who gave the reasons for the introduction of FOCs and the Off-Shore type. Unsurprisingly the majority of comment concentrated

upon the advantages of flying FOC, which sadly was not complemented by disadvantages.

Pleasingly most answers were remarkably free from bias and presented balanced opinions. Some bonus points were awarded for those answers referring to 'Cabotage' and the accompanying requirement for ships to fly the host country flag when trading within national borders, with particular reference made to the growth in container feeder traffic.

QUESTION 4 – CONTAINERS

The enthusiasm displayed in the answers to this question presumably reflects the increasing numbers of candidates engaged in the 'Liner' trade. The question took the form of three clearly defined sections and whilst there was plenty of comment upon 'Dramatic Growth', regrettably not so with the 'Upper Limits'. There were some really interesting remarks written about 'Recessional Effect' and bonus points were plentiful to reflect students' extra curricular reading, research and enquiry in tandem with their own product knowledge and 'Diseconomies of Scale'. Comparison was made with tankers, with box carriers being used as off-shore storage platforms for empty containers and far-sightedly those who foresaw future post recessional growth; although to far fewer hubs, which may in the future form clusters of redefined manufacturing centres.

QUESTION 5 – BUSINESS ENTITIES

The least popular question with varying quality answers. Some of the better responses commenced with descriptions of the 'Sole Trader' role, with surprisingly several answers recommending that he retain that business status plus supportive reasoning. For and against 'Partnership' and 'Limited Liability Partnership', were dealt with quite thoroughly and the points made were the more interesting as they obviously reflected the national governmental requirement regulating this entity. In many cases the 'Private Limited Company' status was either ignored or confused with the 'Public Limited Company'; however, allowances were made for the many regional variations required by national authorities: a further common error was to treat the examined party as an 'Employee' as opposed to an 'Employer'. The principal criticism of answers to this question was the noticeable absence of reference to 'Risk' in all categories.

QUESTION 6 – CREATION OF AGENCY

Not very high in the popularity ratings and sadly in a few cases the only question, with either nothing written or a repeat of the question. On a more positive note there were some very good answers and high scores earned by those with a basic grasp of the legal position, supported by examples. Those who failed to reach the required pass mark, invariably listed the operational agency roles as opposed to the required statement of bringing the principal into contractual relationships with third parties.

The three methods of agency creation plus rights and duties between agent and principal were quite well described. The answers were quite disappointing in that the question did not really expect detailed legal knowledge, just an outline idea of the basic relationship between the parties.

QUESTION 7 – NOR + SOF

Less popular than expected, although in the main extremely well answered. The question did not ask for the abbreviations to be extended and pleasingly all the answers had correct extensions and explanatory descriptions. There was a little misunderstanding between the roles of a SOF and a time sheet and additional points were awarded to those who correctly made the observation that SOF entries should reflect those made in the ship's official log book. Some additional information could have been written upon the NOR role in that tendering was the first step towards laytime counting and not merely indicating 'End of Passage'. Comment was also lacking in mentioning that both forms were used in connection with voyage charter. Examples, as requested were supplied in most cases.

QUESTION 8 – BULK LIQUID CARGOES

Fourth in popularity with comments suggesting that the answering candidates were either involved or had considerable exposure to gas tanker trades and cargoes. Emphasis has been placed upon this category because there was a distinct lack of comment upon 'Clean' and 'Chemical' carriers and products. Pleasingly the 'Dirty' sector was well described with particular reference made to ships' fittings and procedures. Additional points were awarded for ship diagrams.

CONCLUSION

Whilst the introductory comments to this report record the improvement in attempting ALL five questions, this remark has to be tempered by sadly noting the paucity of answer comment. Invariably those who did not meet the required PASS, only supplied one quarter page per answer and that comment often incorporated a repeat of the question. A commonly asked question is *How Much Should I Write* and the only answer can be sufficient to convince the examiner that each part to the question has been knowledgeably answered: in practice this usually needs TWO PLUS pages, depending upon the written character size and ancillary factors.

A reminder must also be issued that it is the Institute of Chartered Shipbrokers' policy is to seek answers in the *Continuous Essay* style, rather than a series of bullet pointed comments. It is appreciated that this style could well be unfamiliar to those accustomed to the *Multiple Choice* type answering method.

Some appeared to run out of time and so did not complete five answers. It is worth re-stating a recommendation that; if after 30 minutes ideas are running short, then leave space and proceed to the next selected question: remember also to answer first that question with which you feel most confident.