

INSTITUTE OF CHARTERED SHIPBROKERS

APRIL 2009 EXAMINATIONS

MONDAY 27 APRIL – MORNING

LINER TRADES

Time allowed – Three hours

Answer any FIVE questions – All questions carry equal marks

1. Draw **one** of the following types of vessel and highlight within the drawing the main features of such a vessel. Also describe briefly two trade routes where the vessel would generally operate & main types of cargo carried.
 - a. Ro-Ro vessel,
 - b. Multi-Purpose Ship,
 - c. Refrigerated Cargo Ship.
2. Your company is given the task of setting up a new port terminal with three distinct activities which are container ships (1,000 to 2,500 TEU vessels), general cargo ships (may carry IMDG Class One) and Ro-Ro vessels. **In brief bullet-point format** for each type of vessel list the various terminal factors / aspects you will have to consider and the type of equipment & facilities required. A simple plan of port layout will be required showing such facilities.
3. 'Liner bills of lading are important contracts of carriage in international trade'. Describe **three** of the following six clauses in detail and why they are of importance to those parties dealing with bills of lading especially the Carrier.
 - a. Himalaya Clause.
 - b. Security and Lien.
 - c. Paramount Clause.
 - d. General Average and Salvage.
 - e. The Scope of Voyage, and
 - f. Government Directions, War, Epidemics, Ice, Strike etc.
4. UCP600 can be seen as a major step forward in regard to Letters of Credit. Explain why such a change to the Uniform Customs Practice of Documentary Credits was required and the key points of relevant articles covering bills of lading.

5. You are a local agent for a major container shipping line which has four ports of call within your territory. Describe your expected duties for control & maintenance of the containers including depot structure, key tasks and solutions for imbalances between the north (3 ports) & south (1 port) of country.
6. Marine Insurance is a very important aspect for the liner shipping industry especially when liabilities or claims arise. Describe the role and cover provided by Hull & Machinery insurers, Cargo insurers and P&I Clubs. Why are they seen differently?
7. On the 17th October 2008 shipping line conferences were no longer permitted in any trades between the EU and the rest of the world. After more than 130 years this is a watershed for the liner shipping industry.

Describe what will be seen as Anti-Competitive Conduct in the future by the EU Commission. What effect will this have on the way Consortia & Alliances (who trade between EU and the rest of the world) operate and discuss services etc?

8. Explain the ISPS Code (International Ship and Port Facilities Security Code) and giving examples of the mandatory information required by Governments & maritime organisations.

THE INSTITUTE OF CHARTERED SHIPBROKERS

LINER TRADES (LT)

2009

EXAMINER'S REPORT

OVERALL COMMENTS

This year's paper covered a wide range of subjects which should have allowed candidates the opportunity to have some open questions where they could discuss and develop their answers. In contrast there were some very focused questions which led the student to be very specific in their answer and not to wander off the point. The candidates who seemed to struggle were mainly those sitting the Foundation Diploma but there were some very poor papers from PQE candidates as well which indicated a lack of study and understanding.

QUESTION 1 – TYPES OF VESSEL

This question was very general and the main requirements for a good pass were a reasonable drawing of a vessel, some explanation of the features would naturally enhance any diagram (most candidates did attempt to describe the vessels) and two quite different trade routes discussed. Most of the vessels illustrated, nobody would want to sail in as many features were missing and mainly consisted of lines & squiggles rather than "defined" drawings. The trade routes discussed were mainly variations of the same and lacked sufficient explanation in the majority of cases. Some candidates wisely included a map which enhanced their answers. Even so, this was one of the most popular questions this year.

QUESTION 2 – PORT FACILITIES

This question was very specific on the vessels calling at the one port and the need for different facilities required for both vessel & cargo. This question was attempted by a large number of candidates and on the whole answered well. The candidates who were awarded poor marks made three simple errors. First of all, no plan was provided although it was asked for in the question. Secondly you had to draw one plan for one port combining all three types of vessel / cargo, not three plans. Thirdly, think about the types of equipment needed for each type of cargo, the port infrastructure and the common elements you would find. If you covered these points and provided a plan, good marks were secured.

QUESTION 3 – BILL OF LADING CLAUSES

Another popular question and candidates either knew the answers and were focused on the clauses whilst others mainly waffled and wrote nonsense. There were two clear parts to the question which needed to be answered and candidates became confused between the two or ignored the second part. A poor choice for candidates who just wanted to “have a stab at it”. One wonders how many candidates have actually studied a bill of lading before taking the exam. Functions of a bill of lading and process of letters of credit were not required to answer this question.

QUESTION 4 – UCP600 (DOCUMENTARY CREDITS)

The least popular question and generally very poorly answered. This was not about the process of a bill of lading from shipper to bank to consignee but unfortunately most candidates went down that route. This was actually a very easy question to answer as detailed knowledge of UCP 600 is not required. The objective of the ICC in creating uniform rules for documentary credits, first devised in 1933, was to facilitate the flow of international trade and alleviate problems encountered when individual countries try and promote their own national rules on letter of credit practices. The revision was brought about following criticism of the now old UCP500, which was perceived as outdated, over-complicated and open to ambiguity and error. The old rules were widely criticised by the shipping industry, in particular, Article 23 which set out the requirements for bills of lading.

The new Rules are leaner than their predecessors with 39 as opposed to 49 articles. They seek to remove scope for ambiguity and error in interpretation and application by incorporating new definitions and interpretation articles and many articles have been revised so that they are clearer and easier to read and understand. Under UCP500 up to 70% of documents were rejected by bank on first presentation, it is hoped under UCP600 this figure will drop significantly.

The articles dealing with transportation documents, comprising articles 19-24 under the new UCP600, have been amended to remove confusion over identification of carriers and agents. Article 20 concerning bills of lading is made clearer and easier to follow. Only a few candidates mentioned eUCP.

QUESTION 5 – CONTAINER CONTROL

Another straight-forward question but with many candidates talking about general agency duties rather than focusing on container control aspect and imbalance solutions. If candidates kept to the requirements of the question good marks were obtained but many wandered in to other areas thereby wasting time and effort.

QUESTION 6 – MARINE INSURANCE

One of the most popular questions this year and good marks obtained if the candidate identified the clear distinctions between Hull & Machinery insurers, cargo insurers and P&I Clubs. The main reasons for poor marks were failure to describe what cover they provide and generally mixed up their roles or never actually stated what their role was but drifted in to unrelated issues.

QUESTION 7 – ANTI-COMPETITIVE CONDUCT

One of the least popular questions this year with many candidates failing to even reach 10 marks. The question was not about the history of conferences in the last 140 years or if they can continue in the EU, this is where many candidates went wrong. The question was about what the EU would see as “Anti-Competitive Conduct” therefore there has to be no agreeing on prices between the carriers, no sharing the market, no fixing of tenders between carriers, no exchanging of confidential commercial information with competitors, no more conference business plans, no more discussion regarding capacity forecasts of individual lines etc.

Consortia & Alliances will continue to be legal in Europe, although the exact rules governing them are currently being reviewed and will be revised. At the moment they are allowed to coordinate services and temporarily manage capacity unless their combined market share is too large.

Liner shipping companies are allowed to exchange certain information by trade associations such as the European Liner Affairs Association (ELAA).

QUESTION 8 – ISPS CODE

A very specific question which needed very specific answer. The candidates either knew the requirements of the code or they had very vague ideas and tried to bluff their way through; unfortunately the candidates mainly fell in to the latter category.

CONCLUSION

Some candidates found this year’s paper slightly harder than previous years, which was reflected in the slightly poorer pass rate, but good passes could be obtained if the student prepared well for the exam and remained focused on the questions set. Perhaps it was the absence of old favourites such as “Functions of a Bill of Lading” and “Process of Letters of Credit” This underlines the need for candidates to study the whole course syllabus as there are ten key subjects in the course and each year we can only ask eight questions.