

INSTITUTE OF CHARTERED SHIPBROKERS

APRIL 2009 EXAMINATIONS

TUESDAY 21 APRIL – AFTERNOON

SHIPPING BUSINESS

Time allowed – Three hours

Answer any FIVE questions – All questions carry equal marks

1. Due to market forces and competition from other producers, an exporter, who is used to selling on FAS terms, is forced to offer his goods on a CIF basis instead. Examine the additional responsibilities and risks the exporter will have to undertake and comment on what advantages, if any, there might be in accepting these risks.
2. A Shipowner, with whom you have a longstanding business relationship, has a vessel due to call at your port next month, but it is consigned to an agent nominated by the charterer. Based on a situation of your choice, compose a letter to the Owners explaining why they should consider appointing you as their protecting agent for this call and give details of the duties you would undertake.
3. The ITF is widely known for supporting member unions and defending the interests of transport workers worldwide. Describe, in detail, the role and structure of the ITF and discuss the ways in which it achieves its objectives.
4. The Sale & Purchase broker works in a highly specialised area of shipbroking. Analyse the major differences which distinguish his/her market from that of a Chartering Broker and comment on the three distinct sectors of the S & P market.
5. Many traditional ports around the world have developed in line with the communities and industrial hinterland they serve, although, in order to survive, have found it necessary to adapt and diversify. Selecting a major port as an example, discuss the factors which have influenced its development and comment on its future prospects.
6. Discuss the role and function of **two** of the following organisations:
 - a) International Chamber of Shipping
 - b) FONASBA
 - c) UNCTAD
 - d) IMB

7. Explain the different payment methods available to those involved in international trade and discuss the risks involved to the buyer and seller transacting under each method.

8. The formation of ice affects many ports and shipping routes during Winter months causing disruption to shipowners and traders alike. Define the main areas and ports affected, identify the problems experienced and explain the methods adopted to overcome the difficulties caused by this seasonal climatic condition. Use the world map provided to illustrate your answer.

THE INSTITUTE OF CHARTERED SHIPBROKERS

SHIPPING BUSINESS (SB)

2009

EXAMINER'S REPORT

OVERALL COMMENTS

It is pleasing to report that the overall pass rate in the 2009 Shipping Business examination was marginally improved to that achieved in 2008 and it was evident that, for those candidates who were successful, they had prepared in advance and were able to present well constructed papers, demonstrating a sound knowledge.

For those candidates who did not achieve a satisfactory grade, they should be aware that brief answers cannot impart enough information for the examiner to assess whether the candidate has adequate knowledge of the subject and, therefore, should bear this in mind for 2010.

As with previous years, some candidates attempted more than five questions which, bearing in mind that only the first five are assessed, wastes valuable time and effort.

Finally, it is worth mentioning that, prior to attempting any question, the candidate should take time to consider what is required and, in some instances, how the question should be drafted. In addition, where there are two parts to a question, both must be answered to attain maximum results.

QUESTION 1 – INCOTERMS

In general terms, this question was answered very well with candidates able to identify and explain the differences relating to the terms and were also able to explain the main risks involved.

A few candidates identified that the change of terms meant that payment could be accomplished by a documentary transaction and that there was potential for trading the goods whilst in passage.

QUESTION 2 – PROTECTING AGENT

Although this question was attempted by most candidates, it is disappointing to note that a significant number either failed to draft their answer in a proper letter format, or had a very poor understanding of how a formal business letter should be prepared.

In many instances, the answers were deficient of any logical structure and it was evident that the candidate's knowledge of effective business communication was, in general terms, very limited.

QUESTION 3 - ITF

For those candidates who attempted this question, some very informative and knowledgeable answers were presented.

Most were able to identify that the ITF was a federation of trade unions and not individual members and some explained the history of the organisation along with details of its funding.

In addition, a few candidates also mentioned other activities undertaken by the ITF such as its support of Seaman's Missions etc.

QUESTION 4 – TANKER –v- DRY CARGO BROKING

Although attempted by only a few candidates, those answers which were presented were constructed well giving details comments on the three main specialised subdivisions within the tanker market, namely Crude Oil, Petroleum Products and Chemicals (incl. LNG and LPG).

A couple of students gave an excellent analytical account of the main market differences and also mentioned other specialised vessels such as wine and juice tankers.

QUESTION 5 – PORT DEVELOPMENT

As anticipated, this question was answered relatively well with a wide variety of ports and trades chosen as examples.

Most candidates were able to explain the main commercial and economic aspects of their selected ports, although very few mentioned negative factors such as the availability of specialised labour and handling equipments, employment costs and constraints pertaining to political and environmental issues.

A few students were able to explain the historical background of their chosen port and also mentioned the effect of international legislation such as ISPS etc.

QUESTION 6 – DEFINITIONS

Attempted by many, this question was answered very well with most candidates able to provide a detailed account of their chosen organisations.

A few students also enhanced their answers by describing the structure of the organisation and the role they play in international shipping and trade.

QUESTION 7 – PAYMENT METHODS

Most candidates were able to identify the main payment methods such as pre-payment, open accounts, bill of exchange, documentary letter of credit etc and most – but not all - went on to the second part of the question and explained details of the risks involved and available methods of resolution in cases of disputes.

QUESTION 8 – ICE

Most candidates attempting this question were able to identify, with accuracy, the main area affected by ice.

A few had a general understanding of the advancement in vessel design and the use of ice breakers which try to keep the ice restricted ports open during the winter months.

Some candidates were even able to explain the use of double acting tankers which operate astern in ice, taking advantage of icebreaker bow shaped sterns and ‘podded’ propulsion systems, which are claimed to be better than the conventional screw/rudder system. In addition, some reference was made regarding the use of sophisticated weather forecasting and routing systems.

CONCLUSION

Although it is evident that the majority of candidates prepared well for the examination, there were a significant number of scripts which betrayed serious knowledge gaps which were, disturbingly, in core subject matter.

It should be remembered that candidates could obtain better marks if they read the question properly and address the pertinent issues in a well thought out and logical manner and, if the question asks for the student to write a letter or memorandum, the answers should be drafted accordingly.

Finally, in spite of evidence of better preparation, candidates are all too often addressing only the first element of a question and are failing to attempt the second or subsequent parts, thus depriving themselves of the opportunity to gain vital marks.