

# THE INSTITUTE OF CHARTERED SHIPBROKERS

APRIL 2006 EXAMINATIONS

WEDNESDAY 19 APRIL 2006 – MORNING

## LEGAL PRINCIPLES IN SHIPPING BUSINESS

**Time allowed – Three hours**

**Answer any FIVE questions – All questions carry equal marks**

1. Fourteen months ago, Blogg shipped the following cargo on board the vessel "Fudge":
- (i) 20 donkeys
  - (ii) 20 containers, having agreed with the carrier/shipowner to be carried on deck
  - (iii) 20 pallets of flammable painting materials

The goods were shipped in Southampton, U.K., in apparent good order and condition. However, due to bad maintenance of the ship's fuel line, a fire broke out on board the Fudge and she was lost with all her cargo on board.

- (a) Identify and briefly discuss the legal issues that arise from the above scenario.
  - (b) Would your answers be different if the U.K. had ratified the Hamburg Rules 1978?
2. Discuss the importance of "time" in voyage charter-parties. Explain the term "Once on demurrage always on demurrage" as compared to laytime.
3. In a time charter-party timely hire payment is important. Discuss any problems associated with late hire payments and preventative steps the owner might take.
4. Explain, giving your own examples, and discuss the legal implications of (i) contributory negligence, and (ii) vicarious liability.
5. The Master of a ship may be generally considered to be an agent of the shipowner. Explain and discuss the circumstances under which the Master may become an agent of the cargo owners.

P.T.O

6.
  - (a) Discuss why parties to a charter-party would agree to resolve their disputes by arbitration.
  - (b) In the English law of contract, the “postal rule” may be considered to be the exception to the general rule that acceptance must be communicated to the offeror. Explain and discuss the law in this area, giving examples on how the effect of the postal rule may be avoided.

7. Cad is a shipowner, and intends to set up a limited company to carry out his shipping business. The company is expected to be formed in a couple of weeks. In the meantime Cad (signing as director of Candid Ships Ltd.) instructs John, a shipbroker, to conclude a charter-party for a vessel. John indeed concludes a charter-party as instructed. However, Cad is now reluctant to pay John the agreed commission since, Cad claims, at the time of their agreement for the chartering of the vessel, Cad was not authorised to act by his principal, Candid Ships Ltd., as the company was not in existence.

Advise John on whether he can recover the brokerage/commission owed to him.

8. Blogg ships 100 drums of whiskey on board the vessel “Grimm Reality” in the U.K. Ahab, the ship’s Master upon discovering that one of the drums is leaking notifies Blogg of his intention to clause the bill of lading accordingly. Blogg, however, offers Ahab a letter of indemnity if the bill of lading does not contain any remarks relating to the one whiskey drum. Ahab accepts the letter of indemnity, and clean bills of lading are issued to Blogg. Blogg endorses the bills of lading and posts them to Cad in Singapore, but due to a postal strike in the U.K., the bills of lading do not reach Cad when the ship arrives. Ahab refuses to deliver the drums to Cad without the production of bills of lading, and Cad to expedite things offers a letter of indemnity to Ahab, so that the drums are released. Ahab accepts the letter of indemnity and releases the goods to Cad, who discovers the leaking drum, and writes to Ahab notifying him that he will be claiming for this loss/damage. Ahab in turn writes to Blogg stating that he will be seeking to be indemnified by Blogg’s letter of indemnity for any successful claim of Cad.

Identify and discuss the legal implications and consequences arising between the parties in the above scenario.