

INSTITUTE OF CHARTERED SHIPBROKERS

APRIL 2008 EXAMINATIONS

TUESDAY 22 APRIL – AFTERNOON

SHIPPING BUSINESS

Time allowed – Three hours

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

1. Explain why the Bill of Lading is important in the context of international payment and discuss the range of payment methods available to those involved in international trade, commenting on the circumstances in which each method might be appropriate.
2. On average, over 200 million tonnes of grains are transported annually on the world's oceans and are usually destined for human and animal consumption. Using maps to illustrate your answer, describe the main ports associated with handling grain cargoes and analyse the factors which could influence global trading patterns.
3. The incidence of maritime fraud undermines confidence in the shipping industry and poses a serious threat to the wider international trading community. Identify the most significant areas of maritime fraud and consider what methods can be adopted to deter or prevent criminal activity in international maritime trade.
4. As an established port agent, you are invited by your local port operating company to submit ideas for the port's new marketing and publicity strategy. Draft a letter to the port's commercial manager describing the features which you consider are most important in attracting new business.
5. Describe the full range of services which a Liner Agency company may be required to provide to its principal, and comment on the terms of contract which might cover their business relationship.
6. Analyse the structure of a large shipowning group, explain the role of the different departments within the company and examine the ways in which they interact to ensure an efficient service.
7. Discuss the advantages and disadvantages of in-house or independent ship operation and management for your fleet.
8. Discuss the role and function of **two** of the following organisations:
 - a) Intertanko
 - b) Intercargo
 - c) International Chamber of Commerce
 - d) ITF

THE INSTITUTE OF CHARTERED SHIPBROKERS

SHIPPING BUSINESS EXAMINATION

2008

EXAMINER'S REPORT

OVERALL COMMENT

As with 2007, it is pleasing to report that the overall pass rate in the 2008 Shipping Business examination continues to increase and it is evident that those candidates who did achieve an acceptable grade had prepared well for the examination and presented some well constructed and informative answers.

For those candidates who failed to attain a satisfactory result, they should be aware that brief answers cannot impart enough information for the examiner to assess whether the writer has adequate knowledge of the subject and should also remember that, where applicable, both parts of the question must be answered.

As with previous years, some candidates attempted six or more questions which, bearing in mind only the first five answers will be assessed, wasted valuable time and effort.

In addition it was noted that, prior to answering, a number of candidates copied the question in full onto their answer book. It should be noted that this practice is not necessary and also wastes valuable time in the examination.

QUESTION 1 - THE BILL OF LADING IN INTERNATIONAL PAYMENTS

This question was attempted by most candidates and, in general terms, was answered well with a few students illustrating their answer with a diagram detailing different stages in a payment using a documentary letter of credit.

While the majority of candidates understood and explained the various methods of payment in international trade, a small minority concentrated their answer on the function of the Bill of Lading and, therefore, lost valuable marks by omitting to answer the second part of the question.

QUESTION 2 – GRAIN TRADE ROUTES

This question was attempted by many candidates and, in some instances, excellent answers were produced.

Despite the question asking for the answer to include a map, some students failed to do this and, in these instances, marks were lost which affected the overall result of the essay.

QUESTION 3 – MARITIME FRAUD

In general, this question was answered very well with most candidates able to distinguish the difference between ethical behaviour and fraud.

Many students were able to identify the main areas subject to fraudulent practice such as documentary, monetary, insurance etc and, in addition, were able to comment upon other criminal activity such as smuggling, illegal immigration and piracy.

While explaining preventative and detection methods, many entrants identified the importance of the International Maritime Bureau, although very few mentioned the establishment of their Piracy Reporting Centre or technological advances such as satellite tracking systems to counteract criminal activity in the shipping industry.

QUESTION 4 – LETTER ON PORT MARKETING STRATEGY

While this question was attempted by many students, it is concerning to report 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 composer's knowledge of effective written business communication was limited.

QUESTION 5 – LINER AGENCY SERVICES

Unfortunately, many candidates who attempted this question failed to recognise the difference between the services provided by a liner agent and those undertaken by a general port agent.

Those candidates who did understand the difference between these two shipbroking disciplines, generally presented well constructed answers and several went on to explain specific details of FONASBA's Standard Liner and General Agency Agreement together with the advantages and disadvantages of this type of document.

QUESTION 6 – STRUCTURE OF A LARGE SHIPOWNING GROUP

This question was answered relatively well and most candidates were able to communicate their understanding of the interaction between the various departments of a large organisation in a consistent and articulate manner.

QUESTION 7 – IN-HOUSE VERSUS INDEPENDENT SHIP MANAGEMENT

As with question six, this question was answered very well with most candidates able to provide well founded arguments.

Among other issues covered, most students grasped the concept of the pros and cons relating to cost control, core business activity, availability of expertise etc and a few went on to mention other aspects such as management techniques, cultural differences and constraints relating to time differences.

QUESTION 8 – INTERNATIONAL ORGANISATIONS

It was obvious that those candidates attempting this question chose their options very carefully and, generally, were able to demonstrate their sound knowledge of their chosen organisations.

CONCLUSION

Candidates can obtain better marks if they read the question properly and address the pertinent issues in a well thought out and logical manner.

In spite of evidence of better preparation for this examination, 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.