



## ICS Examiner's Report

### INTRODUCTION TO SHIPPING 2012

#### **INTRODUCTORY REMARKS**

This year the standard of examination answers submitted is high, with relatively few failing to achieve the pass mark.

#### **Question 1 – ACCOUNTING**

Quite well answered with often lengthy definition and descriptions of purpose. The main criticisms are lack of differences described between the Profit and Loss Account/Balance Sheet and surprisingly few references to individual items.

#### **Question 2 – RULES**

This question proved to be surprisingly popular with descriptive and informative remarks. Four sets of Rules were often cited and most answers displayed awareness that the Rules needed to be incorporated into national legislation in order to become legally valid in that country.

#### **Question 3 – NAABSA**

Whilst the subject term was frequently cited and correctly extended, this promising start was often spoiled by so many answers extolling the benefits of ports equipped with lock gate mechanisms to impound and provide a constant depth of water, thus obviating the need to lay aground. Interestingly a considerable number of answers paid particular attention to carriers being able to conduct hull inspections whilst laying aground and remove marine growth. Regrettably there was a distinct lack of comment upon the principal advantage to a berth operator of not having to bear the overhead of lock gates. Remarks were also lacking on hull insurance.

#### **Question 4 – ECONOMY AND DISECONOMY OF SCALE**

Answers proved an economics awareness and both terms were in most cases adequately defined and described. The question did specifically ask about trade routes and whilst passing reference was made, very few illustrated these trade routes upon the world map provided. Points were awarded to those who attempted the sketching of trade routes and a number of candidates supplied cross-section diagrams for cargo ships and tankers.

#### **Question 5 – GEOGRAPHY OF TRADE**

This topic was not widely studied. Many answers described voyages from the East Coasts of South and North America, quite often diverting overland. Ports were expected to be named at both ends. Positive remarks are that most answers were aware of a Handy DWT size range and pleasingly there were many references to the choice of a voyage through the Panama Canal or alternatively via Cape Horn. Weather conditions were well described but there were hardly any references to the Gulf Stream effect, nor to bunkering locations. Lack of a map immediately reduced the potential marks available.

#### **Question 6 – LIGHT DISPLACEMENT; DEADWEIGHT ALL TOLD and DEADWEIGHT CARGO CAPACITY**

Light Displacement was extremely well described and linked to the Ship Sale and Purchase practitioners specialising in scrapping. A frequent fault within the Deadweight All Told answers was the inclusion of the ship's actual mass. Deadweight Cargo Capacity was often referred to as including the Constants. For some reason very few answers referred to the practitioners who may be likely to use the DWAT and DWCC terms: answers were expected to include mention of Port Agents and Chartering Brokers.

#### **Question 7 – CONGLOMERATES, MULTI-NATIONALS, VERTICAL and HORIZONTAL INTEGRATION**

Answers displayed considerable knowledge of company structure and were often supported by local examples. A minor criticism is to comment upon an overlap between the conglomerates and multi-nationals. Oil Majors were correctly the favoured choice for vertical integration examples. A bonus was granted to those who commented that horizontally integrated companies are often autonomous within a group and therefore one member company which failed would not necessarily affect the viability of other group members.

#### **Question 8 – FIRM and COUNTER OFFER; DIFFERENCE BETWEEN U.S. and ENGLISH LAW**

Many students, quite correctly, commenced by describing what constitutes a contract with particular reference to the intention to enter into a legal relationship. The firm offer was well described in most cases but marks were deducted for failing to mention the timing validity. The counter offer was well defined, although the higher scores did incorporate the nullifying effect under English Law. A good 50% of papers failed to mention the difference with U.S. Law and marks were reduced accordingly: those who did comment on the difference supplied accurate and informative information. One reason for this omission was probably the time constraint, with some students failing to complete their answer.