



## 2014 ICS Examiner's Report

### SHIP SALE AND PURCHASE (SSP)

#### **General Comments**

Candidates who passed the Ship Sale and Purchase examination this year were able to demonstrate a sound understanding of the subject. Those that achieved top marks wrote answers that were not just a bland repetition of what was written in text books, saleforms or other essential source material, but rather showed that they had read and understood the question properly and answered it accordingly.

It was encouraging to note that detailed knowledge of saleforms, not just NSF 93, but also NSF 2012, as well as Nipponsale and Demolishcon, is becoming more widespread. It is very difficult to pass this examination without a thorough understanding of the ship sale process and salesform knowledge is the best route to success.

It is striking to note that there are still candidates that sit the exam without any obvious understanding of the subject. Short answers of less than two pages long are simply not enough to illustrate the knowledge required to pass. Longer answers that are vague and repetitive, but neither answer the question properly, nor show any relevance, are also unlikely to be rewarded with a pass. Guesswork and assumptions do not endear the candidates to the examiners; factually correct answers are expected as a bare minimum.

But candidates that make the effort to learn and understand the subject and answer the questions in a legible, well-structured and knowledgeable way will be rewarded with high marks, especially if the answer impresses the examiners with knowledge outside the strict confines of the subject area. Those that gained highest marks did just that.

#### **Question 1:**

A very popular question, and in general those who attempted it, showed enough knowledge to pass. Care must be taken by candidates to read the question thoroughly. Those that achieved top marks correctly identified the following points:

- a) Documents for both sellers and buyers: Too many candidates failed to mention buyers' documentation required by sellers,
- b) Documentation both at the place of documentary closing and on board: Some candidates showed confusion as to which documents should be where,
- c) Documentation of a vessel of your choice: Ship type, such as a bulk carrier, will dictate what ship-specific documentation is required, both at the documentary closing and on board.

Therefore a simple regurgitation of Clause 8 of NSF 93 is not enough to obtain a pass because it does not address the wider issues that the question touches upon. Likewise those candidates that did not offer a brief explanation of each of the documents' purpose did not gain as many marks as they could. Those that gained the highest marks answered the question, and in doing so were able to show their full understanding of the topic.

### **Question 2:**

Another popular question answered by a large majority of candidates, but one which caused confusion with many. It is essential to have a thorough understanding of what the Dry-docking/Divers Inspection clause is for, before attempting to answer the question: For example, Clause 6 in both NSF 1993 and NSF 2012. The purpose of the Dry-docking/Divers Inspection clause is to ensure that the ship is delivered to buyers in a seaworthy condition, as per the Classification Society's minimum standards, without interference from either the sellers or the buyers. The clause does not allow the buyer to reject the vessel prior to delivery. The clause should not be confused with pre-purchase inspection, as per Clause 4 of NSF 1993 and NSF 2012.

Therefore, those lacking a thorough understanding of the clause, or those who simply repeated the main features of the salesform wording did not explain its purpose adequately. This error was compounded by those who made irrelevant or superfluous amendments.

Those that did achieve high marks were able to show the purpose of the clause and offer pertinent amendments. Particularly impressive were those candidates that were able to illustrate the differences between NSF 1993 and NSF 2012, and the implications that the improved wording brings to both sellers and buyers.

### **Question 3:**

This was not as widely answered, and many that did make an attempt did not achieve a pass. This is somewhat surprising because there is a specific clause in saleforms, such as Clause 11 in NSF 1993, that covers condition on delivery. Many who attempted the answer were unaware of its existence and tried to answer the question using other clauses. Otherwise they tried to answer the question with a vague catch-all answer which referred to no memorandum of agreement at all. Those that did pass were able to identify not only the relevant clause, but the obligations of sellers to the buyers. These include:

- a) Free of conditions of class;
- b) As at time of inspection, fair wear and tear excepted;
- c) Free of Average Damage;
- d) Class and trading certificates clean, valid and unextended.

Extra marks were given to those that linked the obligations in Clause 11 to other parts of the memorandum of agreement.

#### **Question 4:**

This was not answered by many candidates but the majority of those that attempted the question showed a good understanding of the subject. To obtain a pass, identification of the five main stages of a newbuilding contract was required:

- contract signing
- steel cutting
- keel laying
- launching
- delivery

This should include an explanation of how instalments are made. Further marks were available with suggestions as to how the timing and proportions of the stage payments may vary. This is relevant to prevailing market conditions in the newbuilding market. If the market is low, yards will adjust the payments in buyer's favour, perhaps 5/5/5/5/80%. If the market is stronger, the yards have more leverage in their favour. Candidates that gained top marks were able to explain this as well as illustrate a wider knowledge of the newbuilding contract, including sellers' warranties, refund guarantees, sellers and buyers default, arbitration and so on.

#### **Question 5:**

This was not a question favoured by many candidates, which is surprising considering it is a fairly easy one to pass. Those that passed had all the features of a standard offer correctly identified, and those that gained top marks had obviously paid attention to the wording of the question; specifically:

- The vessel was an MR product tanker and therefore the offer had to include some ship specific clauses, these include gas free for man entry on delivery.
- Both the vessel's classification society records and the vessel itself had been inspected and accepted by the buyers, as the client wanted to make an outright offer.

Those candidates that didn't address these issues at all, or incorrectly drafted an offer on a subject-inspection basis had marks deducted.

One point to be noted; the question asked for a draft offer, and therefore should have included essential elements including who the parties are, the suggested validity of the offer and commission; address and brokerage, as well as other terms in a draft-offer format. Those that answered in essay form were unlikely to pass.

### **Question 6:**

This question was the least attempted by candidates, maybe because it required a more detailed knowledge of both what is happening in the real world, as opposed to inside text books, and some analysis of what drives shipowners to order and buy new types of ships.

Basic knowledge required included that of the changes taking place to the Panama Canal, in particular to the size of the locks. This includes the current and future dimension restrictions, from 32.2m beam to 49m beam.

This was not a right answer/wrong answer question. It is one where those candidates with sufficient market and sector expertise showed, through a well structured and well written answer, the depth of their knowledge and reasoning. Top marks were given to those candidates that suggested changes that may come about in trading routes, and in particular those that suggested, with accompanying illustrations and cargoes, importing and exporting countries and ports, what ships will be able to use the expanded canal that don't already.

### **Question 7:**

This type of question is easy to attempt if the candidate knows the subject. A capesize bulk carrier is a specific type of vessel. The answer is made easier by the fact that the number of cargoes carried is few, the trading routes limited by the size and cargoes, and the ship's structure is simple and uncomplicated. Top marks were given to those that answered this basic question correctly:

- Gave an accurate written description,
- Drew an acceptable, fully labelled diagram,
- Drew on the world map trading routes *including* ports and cargoes carried.

Fewer marks were given to those that weren't able to do this. Problems included:

- An inability to give a full written description, such as size (dwt), LOA, beam, draught, holds and hatches and main engine power as a bare minimum.
- A badly drawn sketch with no labels.
- A world map just with lines from one vague area of the world to another, without ports, cargoes or even direction.

Candidates should use as much space as possible, as well as a ruler and pencil, to draw their diagrams. They should not squeeze it into the corner of a page. It cannot be stressed enough that knowledge of geography is manifestly paramount in shipping. This question invites the candidate to show it. Those that are not able to adequately identify ports, or even countries, risk failure.

**Question 8:**

A popular question with mixed results: Many candidates correctly:

- a) Identified India, Bangladesh, China, Pakistan and Turkey as the main centres of ship demolition
- b) Specified that light displacement tonnage is used to calculate the price. There were higher marks awarded for those that explained and described how the figure is calculated, and where it is verified. These of course are, trim and stability books and ship's plans.

But some candidates became confused with the final portion of the question, as almost everything is included in the purchase price, except crew's personal effects and hired items. Those that were able to differentiate between the normal inclusions and exclusions of a second-hand sale, particularly bunkers and lubricating oils remaining on board, and those of a demolition sale obtained highest marks.