

THE INSTITUTE OF CHARTERED SHIPBROKERS

LINER TRADES (LT)

2007

EXAMINER'S REPORT

QUESTION 1 - CONFERENCES & CONSORTIA.

This question was very similar to one last year but this is such an important issue that it needed repetition. It was not a popular question; perhaps candidates were frightened off by the reference to EC Regulation and there were few very good answers. This is not a 'Western European' question because the change affects all liner services to Europe so involves every other country in the world. The answer needed to explain essential differences between consortia & conferences and a basic knowledge of the conditions under which consortia will be allowed to enjoy exemption from Competition law in Europe; individual member line's freedom in respect of rates and service contracts, lack of trade domination, ease of exit, etc. The second part gave an opportunity for a wide discussion about possible attitudes, both by carriers and regulators, in other non-European trade routes but answers were disappointing. Of particular concern was a number of answers which include very out of date ideas of what Conferences were currently doing – rigidly fixed tariffs, deferred rebates, fixed inland charges, etc. or a totally unnecessary history of the Conference system.

QUESTION 2 - CARGO LIABILITY

This required an answer covering both the Bill of Lading conditions and their relationship with the international conventions, HV or HR; CMR or local haulage conditions might apply rather than the conventions. It might be argued that HV and HR would have different outcomes because of burden of proof. Note the movement was under FCL carrier haulage terms so it was prima facie responsible under either circumstance; the carrier's recovery from haulage sub contractor should be mentioned. The discussion should include issues about proving where the loss took place or indeed whether the damage to cargo was actually due to the accident. A survey should have taken place at load port and outcome discussed with the shipper. Many were sidetracked by the clean B/L issue - it is not "fraud" to overlook damage to cargo and issue a clean B/L. It becomes fraud if the merchant and carrier deliberately conspire to withhold information about pre-shipment damage from the consignee. The main difference a 'claused' B/L would make is that it would pin the damage down to the period before loading instead of leaving the carrier to prove that it took place during the inland leg.

QUESTION 3 - GEOGRAPHY/COMMODITIES.

This question was quite popular but was very badly dealt with. This is not a soft touch and answers need good planning. Two trade routes were required for each commodity – these needed to be clearly separate routes not variations of the same one, at least four or five major ports needed to be identified at each end together with their geographic locations and any unique features, hub ports should not be used. Good maps were an essential part of this answer. The commodities listed are all shipped in at least two different forms needing different handling and equipment so answers needed to identify these, for example citrus/deciduous/soft fruit; orange juice, fresh or processed, in cartons, drums and bulk in tanks or bags; raw coffee in bags or beans/instant in retail packs; shrink

wrap, cartoned or hanging garments; chill or deep frozen fish in various packs. A commentary on the risks and problems involved with each commodity was needed.

QUESTION 4 - 10,000 TEU PLUS CONTAINER SHIPS

The first part of this question was about supply and demand in the context of these very large ships and their potential to affect freight rates. Discussion should centre on whether the increase in slot availability in the short term will be met by a continuation of container trade growth as well as regional imbalances. Will growth in China, India keep up? There are accelerated deliveries due in next 2/3 years. There is no 'right' answer to this question so it is an opportunity to demonstrate originality and indeed there was some extremely thoughtful discussion about the future of even larger ships from some candidates, how big, how many, what trades, what lifespan?. An area that tended to be ignored was the future deployment of the existing smaller vessels many of which still have a long working life ahead.

QUESTION 5 - IMDG CODE

Most candidates dealt adequately with the IMDG code; class system, UN numbers etc. The Shipper's declaration was not quite so well handled as to requirements for the description of goods and packing including packing certificate. Those who dealt with segregation generally explained it well however some missed this part of the question. A good starting point for the last part of the question was to explain that if a proper DG declaration had been made this fully covered the shipper's responsibility to advise the carrier under HV and HR. The carrier's ability to dispose of undeclared cargo was also well covered. The best answers went on to consider the differences between HR Art IV, 6 and HR Art 13.

QUESTION 6 - LETTERS OF INDEMNITY.

Whilst most candidates were able to explain the basic purpose of a LoI this question asked for "a suitable wording for an indemnity issued in respect of missing bills of lading". Something resembling International P&I clubs recommended wording was needed and in the fullest answers the alternative wordings for 'duplicate bills at load port' or 'missing bills at discharge port'. Few candidates produced good letters and very many did not attempt this part of the question. There was a poor understanding of exactly what consequences the carrier is indemnified against. The merchant also undertakes to deliver bills if found. Many candidates gave "local" time or value limits (e.g Three times value, 6 years time limit) which are not acceptable in most circumstances. One frequent worrying error was the suggestion that LoI are issued by banks, they are not, they are undertakings signed by the merchant, which the bank join in to provide financial security. LoIs for missing/delayed B/Ls are legitimate commercial documents. This should be contrasted with indemnities offered for clean or incorrectly dated bills which are in effect conspiracies to defraud and as such unenforceable in law. A number of students were completely sidetracked and wasted time dealing with the functions of B/Ls and the use of documentary credits.

QUESTION 7 - FCL TRANSPORT

The sequence should show the typical movement of a liner container shipment and its associated documentation including most of the following:

Booking	Shipper	Makes cargo offer ('phone or written)
	Carrier	Agrees rate and accepts booking Confirmation
	Shipper/Exporter	Preparation of shipping instruction
Inland movement	Shipper/Carrier/Haulier	Merchant or carrier to arrange? Empty container available,

	Carrier/MT depot	Release note for unit	
	Haulier/Exporter	Container to load point,	
	Shipper	Stuffing/sealing	EIR,
	Haulier	To Terminal, Gate in.	Export note/Shipping note
Cargo at port	Haulier/ Terminal Operator	Unload container to stack,	EIR
	Terminal Operator/Agent		Cargo/mate's receipt
	Shipper/Exporter	Custom's documentation, licences	
Load on board	Terminal Operator	Move container to ship	Stowage plan
		Lift on board and secure in cell,	Loading note or computer list
	Carrier/Agent	Freight invoiced/collected,	Bill of Lading issued
Carriage by ship	Carrier		Manifests, DG lists issued
Cargo discharged	Terminal Operator	Discharge to stacking area	Discharge record
Cargo delivery	Customs/Health etc./Importer	Customs inspection	Customs entry & clearance
	Carrier/Agent	Deliver to importer	Release cargo, issue D.O against B/L Freight/charges,
Inland Movement	Importer/Carrier/Haulier	Merchant/Carrier haul	EIR
		Cargo to delivery point	Receipt for cargo
:		Empty container to depot	EIR, damage reports

The most common omissions related to freight agreement, control of unit through Equipment Interchange Receipts (EIRs), merchant/carrier haulage, stowage planning, and load lists. Some answers referred to local forms by reference number without explaining what they are. This question was not about Sale of goods or Incoterms, the question only asked about “events...during transportation”

QUESTION 8 -LINER AGENCY STRUCTURE & ORGANIZATION

Answers to this question need to be supported by an organization chart, many were missing or inadequate. Most answers identified the main departments and described their responsibilities well but a long list of detailed jobs/duties was not needed. Some candidates described a port agency instead of a liner agency. The relative importance of activities to the liner principal are open to individual ideas but must include; sales - meeting allocation, attaining rate targets etc; accounting – especially freight remittance and credit control; effective equipment control; ship dispatch. Information flow aspects should include reference to computer systems.