

THE INSTITUTE OF CHARTERED SHIPBROKERS

SHIP SALE AND PURCHASE

2007

EXAMINER'S REPORT

OVERALL COMMENT

A record number of candidates sat this year's Ship Sale and Purchase examination. Therefore, it was pleasing to see many achieve the required pass mark by producing some first-class essays on the ship sale and purchase markets. However, those who failed showed a real lack of basic knowledge resulting in poor presentation of the facts by way of short and badly planned answers.

QUESTION 1 - DEFINITIONS

A four-part question covering various aspects of the second-hand market which produced many vague answers. The first term 'As is, where is' was looking for not only the fact that the Buyer takes delivery of the ship as he finds her - where she lies, but under what circumstances does this type of sale usually take place. These would include ship arrests; damaged ships; laid-up ships; to name a few.

The term 'Subject to Board Approval' is a traditional subject in ship sale and purchase offers. Not many candidates made mention of this.

Moving on to 'Mortgage Insurance Policy' - this Policy acts as a form of additional security for the Bank in order for them to protect their loans to shipowners. The shipowner is required to take out the Policy and must pay for the Premium himself but assign it to the lender.

The last term in the question 'Documents to be duly notarially attested and legalised' - the significance here being that prudent Buyers and Sellers will seek protection against fraudulent documentation by requesting this from each other.

QUESTION 2 - THE DOCUMENTS REQUIRED IN SECOND-HAND SALES.

A fairly popular question, generally well answered but many essays were short in length with no real detail of Clause 8 of the NSF. Many needed to go into more depth on the workings of Clause 8. Several essays failed to address the question by not detailing Items A-F of the Clause as requested. Trading Certificates could have been given more attention along with the issuance of the Notice of Readiness (NOR) by the Seller's Master. The most comprehensive answers selected a specific ship type and then went on to base their essay around this ship, thus resulting in a well-rounded description of the documents required in second-hand ship sales.

QUESTION 3 - ELEMENTS OF A NEW-BUILDING CONTRACT.

It was disappointing to find many essays comparing a second-hand contract with a new-building one. The question did not ask for this to be discussed. A case of candidates not reading the question properly and not answering the actual question asked! However, those candidates who did answer correctly covered the main elements of a new-building contract very well. With Payment Terms, Date Schedules, Building Supervision, Launching, Sea-Trials, Guarantees and Delivery all covered in great detail. The use of insurance to protect Buyers' interests needed also to be covered in depth.

QUESTION 4 - THE DRYDOCKING CLAUSE.

This was the most popular question in this year's paper. Generally well answered but room for improvement on what is an important part of the SSP syllabus. This question required clear thinking and was seeking some real in-depth knowledge of this essential Clause of the NSF. Several essays were very mixed-up, short in length and vague. The many implications to both Buyer and Seller covering the allocation of responsibility for the costs and survey operations involved in both areas of Divers Inspection and full Drydocking Inspection needed to be discussed in detail to achieve a pass mark.

QUESTION 5 - OPENING OFFER TO PURCHASE A SECOND-HAND SHIP.

One of the key words in this question was to 'purchase' a second-hand ship, not to 'sell' one as reflected by some essays. This initial opening offer was coming from the Buyer's Broker. Nevertheless, it proved to be a popular question with a good overall pass rate. Most offers were in total favour of the Buyer with bunkers, luboils and all spares included in the initial opening purchase price which was good to note. However, many offers would have gained further marks if the following subject had been included - "Subject to Buyers Board Approval declarable within three (3) banking days after main terms concluded"

The essays at the top end of the marking scale had selected a ship type of their choice and then went on to relate the offer to that specific ship type.

QUESTION 6 - DRAW AND DESCRIBE A CAPE-SIZE BULK CARRIER.

This question achieved the highest pass mark in this years' paper by those who selected to draw and describe this type of ship. It was therefore a pity to note that only a low number of candidates attempted this question. Some first-class drawings of both the ship and its cargo holds were produced with many using a double-page of the Examination booklet to show this ship to full effect.

QUESTION 7 - EXPLAIN THE CLAUSE "SPARES/BUNKER, ETC."

The third most popular question on the paper but with only an average pass rate achieved. Sadly many candidates only wrote about 'spares and bunkers' with no mention of all the other items referred to in Clause 7 of the NSF. The 'etc.' was forgotten about or not known by candidates. For example, the ship's radio installation and navigational equipment, unused stores and provisions, items on hire all needed to be explained in detail. All the items mentioned in Clause 7 can lead to possible areas of disputes, therefore candidates need to be fully aware of them.

QUESTION 8 -THE SKILLS REQUIRED BY A SSP BROKER.

This question not only required knowledge on the general skills of a SSP Broker but also on the more specialised skills of, respectively, newbuilding, second-hand and demolition Broker. A reasonable pass rate was obtained but many essays lacked any real depth. Many made no mention that a newbuilding Broker needs to have up to date knowledge on the various types of ship finance in order to advise his Principal. Furthermore, ship valuations form an important part of a second-hand Brokers role.

Conclusion

Candidates need to spend more time reading and selecting the questions to be answered before starting their essays. Planning allows the knowledge to shine through. The areas that candidates need to address are namely, a more detailed understanding of the actual content of the Clauses within the Norwegian Saleform and how to describe the different types of ships.