

# SHIPPING BUSINESS – Syllabus

## THE SHIPPING BUSINESS ENTITY

Thoroughly understand the concept of limited liability as applied to commercial companies.

Understand the differences between private and public companies, conglomerates and multinationals.

Understand how companies are organised internally.

Understand the manner in which limited companies are financed, the methods of raising capital and the rewards shareholders may expect.

Understand statutory requirements controlling limited companies aimed at protecting those who deal with them.

Be aware of the differences between vertical and horizontal integration.

Understand the advantages and disadvantages of being a sole trader or partnership rather than incorporation as a limited company.

Understand the principles of quality assurance (ISO 9001).

Be aware of the organisations that may test for and grant QA certificates.

## SHIPPING BUSINESS SECTORS

Understand how the original interpretation of the term 'shipbroker' has, through the need to specialise, been expanded to encompass all aspects of shipping business.

For each of the following roles students should be able to answer these questions:

- a) For whom does the practitioner work?
- b) What form of contract is there between that entity and the practitioner?
- c) What does the work involve?
- d) What types of documentation does the practitioner normally use?
- e) How is the practitioner paid?

**Dry Cargo Chartering** Thoroughly understand the relative positions of charterer and shipowner as well as the relationship between these principals and the broker(s) involved.

Understand how each principal may have its own broker, how these may be 'exclusive' appointments or 'competitive'. The position of intermediate brokers.

Understand the way in which the international chartering market operates, the various prime centres including London, New York, Hong Kong, Tokyo. Be aware of the continued dominance of the London market and the altered role of the Baltic Exchange in recent years.

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Understand the way in which brokers – duly authorised by their respective principals – conduct negotiations leading to a 'fixture'.

Thoroughly understand the principal differences between a voyage charter and a time charter and understand the basic structure of each type of contract. Be aware of the special role of a bareboat charter.

Understand how brokers are remunerated by a brokerage (commission) based upon the owner's earnings under the charter concerned.

**Tanker Chartering** Thoroughly understand the similarities and differences between dry cargo and tanker chartering, especially the restricted number of players in this specialised field. Be aware of the meaning of such expressions as 'oil majors' and 'traders'.

Understand the manner in which the market is further compartmentalised depending on the commodities including crude, petroleum products, chemicals, gases, vegetable oils, etc and the way each commodity needs a different type of ship.

Understand the way Worldscale operates in some sectors of the tanker trade and the reasons for its use.

Understand those elements in tanker charter parties that are different from dry cargo forms.

**Ship Sale & Purchase** Thoroughly understand the respective roles of buyers, sellers, brokers and valuers.

Thoroughly understand that the market is divided into the trade in secondhand tonnage (the most active sector for brokers), newbuildings (the most specialised sector) and demolition (the scrap market).

Understand how negotiations proceed and the limited number of specialised forms covering the sale.

**Ship Operations and Management** Thoroughly understand the principal role and function of ship management whether as part of a shipowning company (in-house) or as an independent management company.

Understand the reason why shipowners may prefer to employ independent managers rather than manage their own ships.

Understand the basic structure of a ship management company and how its different functions would be incorporated in a management contract.

Understand how all or only some of these functions may be needed by the shipowner. Be aware of the increasing tendency of shipowners to externalise crew management and the reason for doing so.

Be aware of the availability of standard ship management contract forms (for example, BIMCO's SHIPMAN).

Note that the ship management industry has its own quality management procedures.

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**Port Agency** Thoroughly understand the relationship between port agents and their principals. Understand the method of appointment directly by the shipowner; of appointment by the shipowner but *nominated* by the charterer; appointment by the time charterer; the role of a supervisory agent.

Understand the scope of a port agent's work, its responsibilities, its limitations without specific authority and those occasions when implied authority may be assumed.

Be aware of the different entities with which a port agent has to deal including ship's command, statutory bodies, terminal/port operators, stevedores, suppliers of goods and services.

Thoroughly understand the importance of time counting and of the agent's responsibilities in this respect, including ensuring notice of readiness is properly tendered and a statement of facts is compiled.

Understand the concept of obtaining funds from principals, settling invoices from suppliers of goods and services and accounting for this expenditure via the disbursement account.

Understand the agent's remuneration by way of an agreed fee and be aware of the existence of nationally agreed agency fee scales in some countries (no longer permitted in many jurisdictions).

**Liner Agency** Understand that such duties may be undertaken by a department of the liner operator's company or by an independent agency.

Understand the additional duties over and above those of a port agent that fall to a liner agent including particularly marketing and documentation which involves relationships with exporters, shippers, receivers, forwarders, NVOCs, etc.

Be aware of the availability of the standard form of liner agency agreement published by FONASBA which gives insight into the many duties a liner agent may be called upon to perform.

Understand the method of remunerating liner agents via a commission of the freight earned on cargo loaded or discharged at the agent's location.

**Other Sectors** Understand the role and function of freight forwarders which can be agents, contractors or non-vessel-operating carriers (NVOCs).

Understand the extended role of various practitioners in shipping business including multi-modal transport, logistics and supply chain management.

## **BUSINESS ETHICS**

Thoroughly understand that because so much shipping business is arranged by word of mouth, mutual trust is an imperative ingredient. 'Our word, our bond' has always been the Institute's motto.

Understand how practitioners in shipping business may encounter and be in a position to detect or prevent fraud including such things as identifying forged bills of lading, falsified certificates, false declarations of cargo.

Be aware of the potential for fraud in connection with letters of credit or false insurance claims.

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Understand the danger of misdirection of freight payments or misdelivery of cargo.

Understand that wrongly dating bills of lading is a fraud and that issuing a letter of indemnity in exchange for clean (rather than cloused) bills of lading is technically fraud.

Be aware of the possibility of major fraud such as documentation for non-existent cargo, piracy, scuttling.

Understand the importance of knowing the *bona fides* of one's principals and trading partners.

## **GEOGRAPHY OF TRADE**

Students should have access to a **maritime atlas** for this and all other subjects in the Institute's curriculum.

Understand the major trade routes and the types of ship used for transportation of the five primary raw materials, namely, coal, ores, grains, fertilisers and oil, as well as general cargo (manufactured goods), with names and locations of the principal ports involved. Be aware of any particular characteristics and/or hazards involved in the transport of these commodities.

Understand the factors that influence the choice of the most favoured transport modes for these commodities, for example, palletisation, unitisation, containerisation, refrigeration, multi-modal transport and be aware of the shoreside facilities and infrastructure needed.

Understand the location and seasons of major natural phenomena affecting sea transportation, particularly storms and ice. Be aware of the rationale behind loadline zones and how knowledge of these can affect voyage planning and estimating.

## **INTERNATIONAL TRADE AND FINANCE**

Thoroughly understand the role and function of Incoterms in international trade. Understand the manner in which the obligations and insurable risk and title pass from buyer to seller under each of the terms.

Thoroughly understand the importance of the bill of lading in international trade. Understand the difference between port/port, through and combined transport bills of lading; also the role of waybills.

Understand the various methods of payment that may be used in international trade including cash and bills of exchange.

Thoroughly understand the special place of documentary letters of credit and how they are established and operate. Be aware of ICC uniform custom and practice.

Understand the manner in which countries regulate imports and exports by means of customs tariffs, licensing, etc.

Understand the basics of foreign currency transactions including the system of currency hedging.

Understand the importance of collecting, holding and remitting freight, hire and other funds to principals and clients. Be aware of the system of freight hedging.

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## BUSINESS COMMUNICATIONS

Thoroughly understand that in this and all other subjects in the Institute syllabus, candidates will be tested in their ability to communicate effectively in the English language.

Understand the different forms of communication including reports, letters, memos, faxes, email, etc and be able to draft answers in these forms when examination questions so demand.

Be aware of the media sources of information regularly used by practitioners in shipping business.

Understand the application and importance of computers, email and the internet in all aspects of shipping business.

## SHIPPING ORGANISATIONS – THEIR ROLE AND CONTRIBUTION

Students will be expected to use their own efforts to expand their knowledge of the many national and international organisations serving the shipping industry. All of them have websites to assist those who have access to the internet.

Beware of confusion when names are similar, such as the Baltic Exchange and the Baltic and International Maritime Council (BIMCO), Lloyd's Register and the Corporation of Lloyd's.

For each of the organisations, students should understand the following:

- its origins, reason for its existence, its aims and objective;
- its nature and structure;
- its membership and what they expect from the organisation;
- any highlights in its achievements on behalf of its members.

**Shipowners' organisations** Intercargo (dry cargo shipowners); Intertanko (tanker owners); Baltic and International Maritime Council (BIMCO) (all owners and brokers); International Chamber of Shipping (association of national shipowning organisations). National liner shipowner organisations.

**Broker and Agent Organisations** Institute of Chartered Shipbrokers (ICS) (London-based unique international body conferring professional status on shipping business practitioners); The Baltic Exchange (historic centre of dry cargo ship chartering in London); Federation of National Shipbrokers and Agents Associations (FONASBA) (international association of national broker/agent associations); International Federation of Freight Forwarders Associations (FIATA) (international association of national forwarding associations).

**United Nations agencies** International Maritime Organization (IMO) (London-based association of the world's maritime countries devoted to safety and pollution prevention); United Nations Council for Trade and Development (UNCTAD) (UN Geneva-based agency principally devoted to developing international trade and transport, especially to the benefit of less-developed countries).

**Chambers of Commerce** International Chamber of Commerce (ICC) (international association of national chambers of commerce); International Maritime Bureau (IMB) (branch of ICC devoted to prevention of maritime fraud and piracy).

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**Insurance** Corporation of Lloyd's (historic London-based insurance market on which underwriters and brokers trade).

**Classification Societies** International Association of Classification Societies (IACS) (international body of classification societies devoted to maintaining standards, accepting only those of good repute).

**Labour Organisations** International Transport Workers' Federation (ITF) (international federation of national trades unions involved in transport); International Shipping Federation (ISF) (international association of national seafarer employers' associations).

**NB** *No exemption is permitted in this subject.*

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