Overall Comments

The Institute's Ship Sale and Purchase examination continues to attract record number of candidates. This year the overall pass rate was good with some excellent papers produced. These papers showed what serious revision can achieve with a real understanding of the Norwegian Saleform 1993 (NSF 93) shining through. An awareness of current market knowledge and the ability to present essays in a clear and concise manner lead to many candidates obtaining a pass in this subject.

Question One

This question on the Deposit Clause needed a detailed knowledge of the NSF 93 to be able to do it justice. Many essays showed a clear lack of knowledge on the actual content of the Clauses of the NSF resulting in vague answers. Candidates without this knowledge found it difficult to relate the Deposit Clause (Clause 2) to other Clauses within the Saleform. The Deposit Clause influences and interrelates with many other Clauses, the most important ones being Clause 4, 5, 13, 14 and 15.

To take for example - Clause 13 - Buyers' default (Line 233-235) - should the Deposit not be paid in accordance with Clause 2, the Sellers have the right to cancel the Agreement, and they shall be entitled to claim compensation for their losses etc.

Referring to Clause 15 - Buyers' representatives (Line 256) - after the Agreement has been signed by both parties and the Deposit has been lodged, the Buyers have the right to place two representatives on board the vessel.....

As can be seen from the above mentioned Clauses - the deposit once paid (or not) influences the workings of the Norwegian Saleform in many different ways, hence a comprehensive knowledge of the MOA is essential to the Second-Hand Ship Sale and Purchase Broker - and more importantly is needed in order to pass this examination.

Question Two

Some first class offers were produced by many of the candidates who selected this question. Marks were gained by relating the terms of the offer to the actual ship type selected. The terms and conditions of this offer also needed to reflect the Buyers' interest, an example could be: - 'Purchase price to include ALL used and unused bunkers and luboils as on board at the time of delivery'.

This question made a reference to commission so it was expected for candidates to refer in their offers to the subject of commission, in this question to cover the Buyer with 1% Address Commission as well as covering a percentage of Brokers Commission for themselves - something quite a few candidates neglected to do.
Question Three

Surprisingly not a popular question but well answered by those who attempted it.

A four-part question on the whole area of newbuildings, most candidates gained marks from each part.

Building Risk Insurance Policy gives insurance cover against loss of or damage to a newbuilding during its period of construction, fitting-out and sea-trials. The shipyard/builder takes out this Policy and nearly always pays the Premium.

Payment Terms covers the Schedule of payments from the Buyer to the Shipyard from the signing of the contract right through to delivery of the ship to the new Owner.

Guarantee Engineer is an experienced ship engineer that the shipyard as part of the original contract will place on board the ship from the day of delivery for an agreed period of time so that this Engineer will be on board to adjust, repair and record the performance of the ship in respect of the technical and mechanical side of operating the ship. Slippage - during the last few years this term is often referred to in the shipping press as being used to describe the number of ships that have been delayed and deferred to later delivery dates than their original scheduled dates brought about by the world-wide downturn in shipping demand and lack of finances.

Question Four

In order to pass this question a good working knowledge of Clause 7 of the NSF 1993 needed to be shown along with the ability to produce wording for possible amendments in order to protect the Buyer's interest. Again, those who had taken the time to revise the Norwegian Saleform had no problems with this question.

An area of possible disputes refers to what is actually owned by the ship in question and what equipment is on hire, rental or on a lease agreement. This refers in particular (but not solely) to the radio installation and navigational equipment/aids. Therefore a detailed itemised list must be produced by the Seller during negotiations.

It must be noted however, it all depends on the current market conditions that are prevailing in the ship sale and purchase market at that particular time for the type of ship being purchased.

Question Five

Many essays were far too short in content and did not address all three parts of this question, resulting in a low pass rate for this question.

The price for demolition sales is based on the ship's Light Displacement Tonnage (LDT) - this indicates the amount of scrap metal the ship contains. As the ship in question was a Capesize Bulk Carrier, normally used for the carrying of iron ore therefore the cargo holds will have been 'ore-strengthened' resulting in extra steel plates being added to the cargo holds - thus increasing the LDT. Few candidates made reference to this fact.

The use of contacts (gained from a good database of information) within the demolition market is one of the ways to advertise the sale.

As a Demolition Broker you must always have the correct documents, for example that you have sight of the Light Displacement Tonnage Certificate. At the end of any details or information that you give out in order to protect yourself at later stages, it must state at the end that 'Details are given in good faith but without guarantee' or words to that effect.
**Question Six**

A Suezmax Tanker was the subject of the ship type question in this year’s examination and some exceptional drawings were produced. In the written description that was required, nearly all referred to this ship being known as the 'million barrel' tanker with a DWT range of 120,000 - 200,000 mt.

The second part of the question gave the candidates an opportunity to show their knowledge of Loading and Discharging Ports which had to be marked on the World Map provided. Again some very detailed maps were put forward. More candidates should attempt this kind of question.

**Question Seven**

The most popular question in this year’s paper and well answered by the majority.

However, there is room for improvement in this important area of the second-hand market. Many failed to select a ship type and some essays made no reference to Clause 8 of the NSF 1993. Many important documents failed to get a mention, namely Notice of Readiness (NOR), Board Resolutions and Powers of Attorney.

Marks were lost by making sweeping general comments, for example with reference to the Trading Certificates, by stating that 'A host of Trading Certificates will be required' and then giving no details whatsoever is not going to gain many marks. This is a perfect example of candidates not writing down what they know.

**Question Eight**

Another popular question that candidates seemed to enjoy answering. The valuation process was well documented with factors covering - comparing like with like, shipyard built, geared or not, Owners, class, flag state, present market conditions etc.

An important point that must be mentioned is that the ship is NOT physically inspected by a class surveyor and no classification records/log books of the ship are inspected. This is a paper (desk-top) analysis only. The Broker does not go and physically see the ship nor pay anyone else to.

The Valuation Certificate must state the date of the valuation and the period that the valuation is valid for - this gives protection to the Valuation Broker along with a fully written disclaimer. Valuation services are required by the likes of Banks, Company Accountants, Underwriters, Average Adjustors to name a few.