



INSTITUTE OF
CHARTERED
SHIPBROKERS

TUESDAY 14TH MAY - AFTERNOON

LEGAL PRINCIPLES IN SHIPPING BUSINESS

Time allowed – three hours

Answer any FIVE questions – all questions carry equal marks

Please read the questions carefully before answering

1. 100 drums of whisky are shipped by a shipper on board a vessel in the U.K.

The ship's Master upon discovering that one of the drums is leaking notifies the shipper that he intends to clause the bill of lading accordingly. The shipper, however, offers a letter of indemnity to the ship's Master if the bill of lading does not contain any remarks relating to the one whisky drum. The Master accepts the letter of indemnity, and clean bills of lading are issued to the shipper, who endorses the bill of lading and posts it to a buyer/endorsee in Greece.

Due to a postal strike, the bill of lading does not reach the buyer/endorsee when the ship arrives. The ship's Master refuses to deliver the drums without the production of bill of lading, and the buyer/endorsee to expedite things, offers a letter of indemnity to ship's Master, so that the drums are released. The letter is accepted and ship's Master releases the goods to the buyer/endorsee, who discovers the leaking drum, and writes to the carrier/ship's Master notifying that he will be claiming for this loss/damage. The ship's Master in turn writes to the shipper stating that he will be seeking to be indemnified by shipper's letter of indemnity for any successful claim of buyer/endorsee.

Critically discuss the use of letters of indemnity ~~as~~ above, and instances when letters of credits may, or may not, protect the shipowner. *where they may or may not*

2. Critically discuss, using relevant case law, the issue of timely hire payment and owner's right of withdrawal under a time charter-party.

PLEASE TURN OVER

3. Discuss offer and acceptance in the context of a simple contract. Using a shipping contract of your choice explain what other elements are required for the formation of a contract.
4. Explain the advantages associated with arbitration outside the Court system. Explain the reasons why a party would not wish to resolve a dispute through arbitration.
5. Discuss the United Nations Convention on Contracts for the International Carriage of Goods Wholly or Partly by Sea 2008 (Rotterdam Rules), and explain some of the important changes under these rules, should they come into force.
6. Case law has established an absolute obligation implied on the shipowner to provide a seaworthy ship. Under the Hague-Visby Rules this absolute obligation is replaced by a duty to exercise due diligence to make the ship seaworthy.

Discuss the seaworthiness obligation using case law and the Rules, to the extent that such obligation may be excluded.

7. Define general average and how the York-Antwerp Rules apply to the contract of carriage.
8. Critically discuss and consider actual and apparent/ostensible authorities in the law of agency. Explain this in the context of a shipbroker.