

ICS Examinations November 2023: Examiners Report

Subject: SSP

In order for students to successfully study for and pass this exam, students should consider the following:

- The examination is not a memory test, but tests knowledge, understanding and the ability to communicate in writing. Simply repeating material learnt by heart without answering the question will not result in a pass
- The topics for examination are outlined in the syllabus, not in course books. You can find the syllabus here:
<https://www.ics.org.uk/media/391103/ssp%20syllabus%202017-18.pdf>
- Always answer five questions, because a failure to do so severely restricts the possibility of a pass
- Detailed knowledge and understanding of standard forms like Saleform 2012, RECYCLEDCON and NEWBUILDCON are advantageous, but only when combined with an understanding of how and when they are used, and also how they may be altered during negotiations
- Do not neglect to use up to date and relevant market knowledge and practice to enhance your answers. This is a professional qualification examination, not an academic one.

- 1. Identify and briefly explain the function of the documentation that the sellers would be reasonably required to provide at the closing meeting of the sale of a secondhand ultramax bulk carrier.**

This question required the student to both identify and briefly explain the documentation. Although clause of Saleform 2012 is a good reference point, simply repeating the Clause was not enough for a pass.

The required documentation was:

- a) Bill of Sale (document of title, freedom of encumbrances) notarially attested and apostilled/legalised
- b) Power of Attorney (identifying who is authorised to act on behalf of the sellers, and the limits of their authority) notarially attested and apostilled/legalised
- c) Minutes/Resolutions of BoD (showing that the sellers have authorised the sale in accordance to company regulations, and that they authorise the issuing of a Power of Attorney)
- d) Transcript of Registry showing freedom of encumbrances and certificate of ownership (this can also be in two different documents)
- e) Certificate of Deletion and/or Letter of Undertaking (showing that no outstanding fees are payable to the Registry by the sellers)

- f) Class Maintenance Certificate (showing the vessel is in class and free of conditions of class)
- g) Commercial Invoices for the Vessel and the bunkers and lubs RoB
- h) Letter of guarantee that vessel is not blacklisted

Many students included those not needed in the documentary closing, e.g. certificates on board, plans etc., or Buyers' documentation. Even if these were correct, there were no marks available. It is important to answer the question being asked.

The explanations of the function of each document required did not need to be detailed, but those that achieved best marks were able to show that they understood what the document was for and who issued it.

2. Answer ALL parts of the question.

- a) **Provide a detailed written description of a feeder container vessel stating size, cargo capacity, dimensions, machinery and other significant features.**
- b) **Draw a profile and cross-section of the vessel showing the layout of the vessel clearly labelling the dimensions and other significant parts of the vessel.**
- c) **On the world map provided show one route of a typical feeder liner service for this type of vessel including ports.**

Students should be able to identify standard ships sizes, and a written description including dimensions, engine, speed etc. was required, but in this case there was some flexibility as feeders can be small or relatively large. For example:

2,500 teu (nominal)
 1,900 teu (on 14t homogenous load)
 500 reefer plugs
 5 holds/10 hatches
 Dimensions: loa 210m, beam 30m, draft 11.5m
 Cranes (optional) 3x45t
 Main engine 25,000 bhp

The quality of drawings varied. It is recommended that students use the lined paper in the centre of the examination booklet for their drawings taking advantage of the full page in portrait and landscape orientation. It is also recommended to use a pencil and ruler (there is no need to use a pen). An acceptable ship drawing is one showing the profile and cross section with all relevant spaces and dimensions identified and labelled.

Geography is important in shipping, and the best answers were those with a route calling at more than two ports, showing understanding that a liner serves a string of ports in a particular order.

3. Using a Saleform of your choice, describe and explain what is included and excluded in the sale of a secondhand vessel, and what the buyers would pay extra for on delivery.

This question was examining the student's knowledge of standard wording e.g. Clause 7 of Saleform 2012, but required not only a simple repetition of the clause, but a concise summary and an explanation.

The examiners were looking for:

- a) Everything belonging to the vessel on board and ashore
- b) All spare parts (incl propeller/blades/tailshaft) to remain on board – those on order excluded.
- c) Any spares used prior to delivery do not need to be replaced, but the replaced items to remain.
- d) Unused stores and provisions included at no extra payment.
- e) Library and forms (including ISM/ISPS manuals etc) and crew's personal belongings and slop chest to be excluded.
- f) Listing of excluded items
- g) Listing of hired items, or those owned by third parties
- h) Any items not specifically excluded by sellers which are on hire/owned by third parties shall be replaced by Sellers at their cost and expense
- i) Bunkers and lubs to be paid extra on delivery at either last invoiced prices or current net market prices

The students that did well provided an explanation – particularly with examples – showing that they understood the concepts. Those that didn't achieve as many marks just repeated the clause without any elaboration.

4. Buyers and sellers have agreed all terms for the sale of a secondhand vessel on an outright basis, and both parties have signed and exchanged a Memorandum of Agreement. Using a saleform of your choice, describe the buyers obligations in lodging the deposit, and explain the remedies available to the sellers if they fail to do so.

This question required a knowledge (using Saleform 2012 as an example) of both Clauses 2 & 13, i.e. Deposit and Buyers' default. It was therefore in fact a two part question:

- a) The student should have identified the following points (clause 2):
 - Deposit to be lodged within 3 banking days of the MOA being signed and the account is open
 - Fee for the deposit to be shared between both parties
 - Providing necessary documentation to open and maintain the account

- b) Failure to lodge the deposit will lead to the sellers having the right to cancel the Agreement and entitled to claim compensation for losses and expenses including

The best marks were achieved by those who used examples, and in particular those that showed that they understood that contract is effective once all terms have been agreed and all subjects lifted (even without signing an MOA). Some students were rewarded by mentioning recent case law, specifically *The Griffon*, where it was decided that the sellers were entitled to compensation equal to the deposit as a minimum even though the deposit was not lodged.

Again repeating the wording of the Saleform, but to show an understanding through describing and explaining the relevant issues, in this case that the sale is outright, with no subjects, so therefore a legally binding contract already existed.

5. Draft a full firm offer for a demolition sale of a bulk carrier for delivery in Bangladesh, including price, commission and delivery dates.

Those that achieved the best marks drafted an offer in a recognisable form and to contain the following elements:

- Parties, ship and offer validity
- Price and commission, i.e. price per ldt
- Deposit
- Payment
- Inspection or waiving inspection
- Laycan/delivery range/Notices
- No Divers inspection
- Inclusions (everything including bunkers and lubs) – exclusions personal items/effects, ISM/ISPS manuals/description of vessel
- Ldt to be evidenced by trim stability book/capacity plan etc weight of propeller etc
- Free of encumbrances
- Buyers reps for beaching
- Documentation Law/Arbitration

Those that didn't do as well drafted offers that were more suited to secondhand ship sales, in particular failing to mention that most sales for recycling are price in \$ per light displacement tonnage, and everything (bar minor items as above) is included in the sale.

Recycling is an important part of ship sale and purchase and should not be overlooked.

6. Write a market report discussing the current situation of the secondhand dry bulk carrier sale and purchase market, paying particular attention to capesizes.

On the face of it, this was a simple test of:

- Knowledge of the current market conditions
- Ability to write a coherent market report

However, apart from that, the student was free to present their ideas in whatever format they wished. Whilst this was, therefore, a “no right answer” question, the highest marks awarded were to those with accurate market knowledge and convincing argument.

The analysis should include:

- The demand for cargoes carried in capesizes, the trade routes and subsequent tonne mile demand
- The consequent effects on the freight market, both in the spot and time charter market
- The time lag between rises and falls in the freight market and corresponding movements in ship values
- The role of China as a major importer of iron ore and coal
- The geopolitical elements at play in particular with Russia and China

However, this was a ship sale and purchase market report, and those who had an in depth knowledge of commodities markets without a corresponding analysis of the freight and S&P markets struggled to achieve a pass. The highest marks were awarded to those that showed an up to date knowledge of market movements and the factors affecting them.

7. Identify and explain FOUR different methods of raising finance for the purchase of a secondhand vessel, including the source of funds and a brief description of finance terms.

The methods of raising finance could be from the following (although not necessarily limited to):

- cash/own resources
- tradition mortgage bank financing
- private investors
- joint ventures
- credit lines
- IPOs
- Bonds
- BBHP
- Private Equity Funds
- Hedge Funds

The question required the student to be able to both identify and describe four different methods of ship finance. The descriptions should have included who lends the money, on what terms.

Highest marks were awarded to those answers that had a deeper understanding on where and how the different methods are used, and why. Some students excelled in this.

- 8. During the sale of a secondhand vessel, buyers usually have the right to put two representatives on board for familiarisation purposes. Using a Saleform of your choice, describe the Buyers' rights and obligations in this regard, and discuss why Sellers may wish to alter this wording.**

This was a two part question which tested knowledge of Clause 15 of Saleform 2012 for example.

It required an answer covering both of the following:

- a) A basic description of the clause. i.e.:
- after the MOA is signed and the Deposit has been lodged, Buyers have the right to place two (2) representatives on board the Vessel at their sole risk and expense
 - These representatives are on board for familiarisation and as observers only, and they shall not interfere in any respect with the operation of the Vessel
 - The Buyers and the Buyers' representatives shall sign the Sellers' P&I Club's standard letter of indemnity prior to their embarkation
- b) A discussion of why the Sellers would wish to alter the wording to protect their interests as follows, for example:
- limiting the time onboard, which means that the reps do not get bored and start making trouble
 - providing an LOI prior to boarding of the reps (if not NSF 2012) to protect their liability
 - limit the access of the reps to certain areas so as not to disrupt operations
 - reduce costs and restrict the use of telecommunication equipment
 - reserve the right to disembark the reps if they interfere with the operation of the vessel
 - reps to always be accompanied by crew member

The best marks were awarded to those candidates that did not just reproduce the clause, but proved that they understood the issues surrounding the process, and in particular highlighting potential problems that may occur.