

SHIP SALE & PURCHASE – Group Two Syllabus

THE SHIP

Thoroughly understand that the knowledge of ship design and construction required of a Sale & Purchase broker is that which is necessary to communicate effectively with a potential buyer. Think in terms of the sort of information that a successful car dealer or real estate agent need in their respective trades.

Thoroughly understand the fundamental differences between dry bulk cargo ships, general-purpose ships, liners (container, break-bulk and Ro-Ro) and tankers, including Ore/Oil and Ore/Bulk/Oil carriers. (Students are expected to be able produce fairly detailed sketches).

Understand that Tankers sub-divide into several categories including carriers for crude-oil, petroleum products, chemicals, liquid gases, vegetable oils etc.

Be aware of size ranges of bulk-carriers including Capesize, Panamax, Handy-size.

Understand the purpose also basic design and construction features of decks, holds, hatches, derricks, winches cranes and other cargo handling gear. Be aware of ballasting and ballast systems.

Understand the terminology of measuring ships including:

Displacement TEU lane metres

DWCC LOA

DWAT LBP

GT Moulded Depth

NT Draft

Bale & Grain Cube Air draft

Understand other dimensions used in ships including freeboard, draft, moulded depth, length overall, length between perpendiculars, beam extreme breadth.

Thoroughly understand the importance of displacement (especially light displacement) tonnage in ship sales for demolition.

Understand what information is contained in General Arrangement Plans.

Thoroughly understand the basic characteristics of a ship's propulsion machinery also other machinery and equipment that may feature in ship sale negotiations.

Understand the trends in ship development especially those which are affected by legislation and/or international convention (e.g. double skinned tankers). Be aware of perceptions of future developments which may affect a purchaser's thinking.

GEOGRAPHY

Understand the location of the main areas of current shipbuilding; be aware of the size, capabilities and specialisation of the major yards. Understand the location of the major buyers of tonnage for demolition.

Understand cargoes, trade routes and meteorological phenomena to the extent that these may influence the types and sizes of ships to be employed.

REGISTRATION AND CLASSIFICATION

Thoroughly understand the need for a ship to be registered.

Thoroughly understand the differences between registration in the owner's own country (flag state) and registration in another country (offshore registration).

Understand the differences between flags of convenience and "open registers" operated by traditional maritime nations.

Understand the advantages and disadvantages of each form of registration.

Be aware of the advantages both real and hoped-for arising out of the introduction of tonnage tax.

Be aware of the manner in which an S & P broker may become involved in changing a ship's registration

Thoroughly understand the need for a ship to be classified and what classification entails.

Understand the role and function of classification societies and the names of the principal societies.

Understand what membership of the International Association of Classification Societies (IACS) entails.

Be aware of the considerable number of real and quasi-classification societies which do not qualify for membership of IACS.

Be aware of the manner in which an S & P broker may become involved in changing a ship's classification.

THE PARTIES INVOLVED

Understand how an S & P broker must be able to differentiate among the different types of shipowners – the Buyers and the Sellers - including individual entrepreneurial owners; limited companies large and small; divisions in conglomerates; investment groups which may purchase for immediate bareboat charter to an operator; shipping pools. Understand how their attitude in S & P negotiations may differ.

Understand the role and function of other major players in the S & P market including other brokers; ship breakers; charterers (for example a ship may be sold with an existing charter commitment); bankers and other financiers.

Understand the role and function of those who may become involved at the time of completion of a sale including lawyers; notaries; consuls; registrars; classification society representatives.

Be aware of the structure of a typical S & P broker's office and the importance of record-keeping.

MARKETS

Thoroughly understand the differences and interrelationships between the markets for new buildings, second hand tonnage and demolition. Be aware of how the information each requires differs in emphasis.

Understand what factors influence the state (firmness or weakness) of the S & P

Market generally and what factors influence each of these markets particularly.

Understand what factors influence the chartering market and how these directly impinge on the second hand market and indirectly on the demolition market and how current views on the future of world economy affect the newbuilding market.

Understand the influence on markets of external factors including natural catastrophes; political crises; environmental disasters; aid programmes.

Be aware of how the markets for tramps, liners and tankers and how different countries may react to different factors.

Understand the skill required to prepare and to interpret market reports including both statistical and written reports.

CONTRACTS AND DOCUMENTATION

Thoroughly understand the basic anatomy of an agreement to sell a ship and the essential differences depending upon whether it is for a newbuilding, a second hand ship or a ship destined for scrap.

Understand the existence of all the standard Memorandums of Agreement in current use. Thoroughly understand the most widely used namely Norwegian Saleform.

Understand that there are two Norwegian Saleforms in current use, the 1987 version and the 1993 version. NB. Because many practitioners prefer the tried and trusted to the new and improved, students should be able to compare the two versions.

Understand the intention of each clause in a saleform, be aware of the Clause numbers of the more crucial clauses.

Understand the practicalities of the inspection and dry-docking clauses and when these are customarily carried out

Understand how to compile additional clauses when these are desirable to supplement or replace those in the printed form.

Understand the role and function of all other documentation which buyers and sellers normally must produce at the time of completing the sale and the legal transfer of the ship. Including safety and other compliance certificates. Be aware of the issuing authorities for these documents. Be aware of representatives of other parties whose presence or electronic contact may be required at time of handover.

NEGOTIATION

Thoroughly understand the basics of firm offer and counter offer in the negotiating process and the manner in which it is customary for the two parties each having their respective brokers. Understand the importance of time limits in offers.

Understand how to draft an opening offer encompassing all the principal's requirements including the wording of any clauses not covered by the printed form and which may have to be specifically compiled.

Understand how the negotiating process leads to a conclusion necessitating a recapitulation together with a completion agenda. Be aware of the various "subjects" particularly "subject inspection" which have to be lifted before the sale is finally complete

Understand the manner in which a ship's particulars are usually compiled when placing a ship on the market for sale. Thoroughly understand that such primary information is given on a "believed to be correct but not guaranteed" basis.

Be aware of the etiquette and ethics customary among S & P brokers including the commitment to clients when certain information has been requested and given.

FINANCE AND INSURANCE

Thoroughly understand the different ways a Buyer may raise the funds to finance the purchase.

Understand the sources of such funds and the type of information such financiers will require.

Thoroughly understand the role and function of a mortgage when used as security for a loan to finance the purchase.

Understand the procedures of leasing and bareboat chartering as methods of acquiring tonnage.

Be aware of the effect of interest rates, foreign currency and currency fluctuation on the raising of finance and servicing the loan. 4

Understand the manner in which the Seller's and Buyer's insurable risk changes as the negotiations progress and the importance of ensuring cover is obtained at the correct time. Be aware of the providers of insurance including the role of a P & I Club.

VALUATIONS

Thoroughly understand the duties of a valuer in ship sale and purchase. Be aware of the reasons for and types of bodies requiring valuations.

Understand the legal liabilities upon and protection needed by valuers. Understand how a valuation is presented with particular attention to appropriate caveats.

Understand the information upon which a valuation is based and the method of assessing a value. Be aware that it does not involve physically surveying the actual vessel.

LEGAL ASPECTS OF SALE AND PURCHASE

Thoroughly understand the legal position of the broker in S & P and the relationship with the principal.

Understand the principle of the broker acting under the specific authority of the principal and the liability likely to arise if this authority is not acted upon meticulously.

Understand what is involved in breach of warranty of authority both with and without negligence.

Understand what is implied with the words "free of all encumbrances and maritime liens".

Understand the importance of a valid Notice of Readiness and of the ship arriving within her cancelling date.

Be aware of the principal areas of dispute including alleged misrepresentation in the description of the vessel, condition of the vessel on delivery, quantity of bunkers on delivery, alleged absence of items of equipment on delivery.

Be aware that the Buyer is not obliged to give any reason for declining a ship on inspection.

Understand the brokers' right to a commission and the manner of ensuring this right is protected.

Be aware of the effect of international conventions and legislation on existing and new ships.

NB: No exemption is permitted from this subject.