Guidelines to improve a coastal shipping company

Antonella Gaviria

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GUIDELINES TO IMPROVE
A
COASTAL SHIPPING COMPANY

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A paper submitted to the world maritime University as part of the requirements of the course on general Maritime Administration.

The contents of this paper reflect my own personal views and are not necessarily endorsed by the World Maritime University or the International Maritime Organization.

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INTRODUCCION

The major and the best performance of any shipping company particularly a privately owned one, depend on its organization, management, administration, allocation and utilization of its resources, planning and efficient control.

A good administrative organization leads to a clear identification of the activities which each unit or person must carry into effect, and their influence in the total results of the company.

This well established organization permits a good allocation, utilization and management of the company's resources, that which makes easier to establish planning policies and control defining quantity and range of deviations. Thus, the company can afford to improve the total results and perform a better service to the customers which is the reason of the company to exist.

This is why after the introduccion to the study in Chapter I, one description of an administrative organization's pattern, including organization chart, brief description and main functions of each unit or department was done in chapter II.

Then, all concerned to procedures, guidelines, etc... re--
garding technical aspects of a coastal shipping company is one of the easiest forgotten aspects, due to the lack of knowledge and importance given to this department in some countries and companies, is clearly described in chapter III.

Next, Chapter IV starts with a brief description of ship personal and her organization on board. Continuing with procedures related to selection, communication, training, motivation, etc...

One of the most important aspects in any shipping company is the commercial one, this department is in charge of freight rates, chartering, scheduling, marketing, sales, claims, competition and other relevant points. All these aspects were treated in chapter V.

Subsequently, chapter VI describes financial management, its objectives, financial accounting, cost accounting, forecasting, organization of the accounts, budgets and finally auditing.

Eventually, Chapter VII appears giving guidelines of the agents and describing their role.

In conclusions and recommendations, I gave some recommendations which I consider are important for the company and also I summed up the most relevant aspects contained in the chapters.
TABLE OF CONTENTS

CHAPTER I
INTRODUCTION

1. INTRODUCTION
2. DEFINITIONS
3. BACKGROUND

CHAPTER II
ADMINISTRATIVE ORGANIZATION
OF A COASTAL SHIPPING CO:

1. OUTLINE OF THE STUDY
2. ORGANIZATION CHART
3. TOP ADMINISTRATION
   3.1. SHAREHOLDERS, MEETING
   3.2. BOARD OF DIRECTORS
   3.3. MANAGING DIRECTOR
      3.3.1. DESCRIPTION
      3.3.2. MAIN FUNCTIONS
4. MAIN DEPARTMENTS
   4.1. TECHNICAL DEPARTMENT
      4.1.1. DESCRIPTION
      4.1.2. MAIN FUNCTIONS
   4.2. PERSONAL AND ADMINISTRATIVE DEPARTMENT
      4.2.1. DESCRIPTION
4.2.2. MAIN FUNCTIONS

4.3. COMMERCIAL AND TRAFFIC DEPARTMENT

4.3.1. DESCRIPTION

4.3.2. MAIN FUNCTIONS

4.4. FINANCIAL AND ACCOUNTING DEPARTMENT

4.4.1. DESCRIPTION

4.4.2. MAIN FUNCTIONS

CHAPTER III

TECHNICAL DEPARTMENT

1. COMMON PROBLEMS RELATED TO MAINTENANCE OF SHIPS AND EQUIPMENT WITHIN A COASTAL SHIPPING COMPANY

1.1. CAUSES

2. SAFETY PROBLEMS WITHIN A COASTAL SHIPPING COMPANY

2.1. SAFETY MEASURES

2.2. INSPECTIONS RELATED TO SAFETY

3. PROCEDURES TO IMPROVE MAINTENANCE OF SHIPS AND EQUIPMENT

3.1. PREVENTIVE MAINTENANCE SYSTEM (PMS)

3.1.1. OPERATIONS OF PMS

3.1.2. PROCEDURES TO FOLLOW UP A PMS

3.1.3. SCOPE OF PMS

3.2. INSPECTIONS RELATED TO PMS

3.3. ECONOMIC CONSIDERATIONS OF PMS

4. PLANNED VISITS TO REPAIR YARDS
4.1. GUIDANCE TO REDUCE THE TIME AT THE SHIPYARD

5. ROLE OF INSPECTORS

6. MANAGEMENT OF SPARE PARTS

7. PROVISIONS

8. REPAIRS

9. INSURANCES

  9.1. PERILS COVERED

  9.2. INSURANCE OF PROPERTY

      9.2.1. TYPES OF PROPERTY INSURANCE

  9.3. POLICY DOCUMENT

      9.3.1. TYPES OF POLICY

  9.4. PROTECTION AND INDEMNITY CLUBS

CHAPTER IV
PERSONAL AND ADMINISTRATIVE DEPARTMENT

1. OUTLINE OF ORGANIZATION ON BOARD

   1.2. DECK DEPARTMENT

   1.2. ENGINE DEPARTMENT

   1.3. CATERING DEPARTMENT

2. ROUTINES ON BOARD

3. MODERN ADMINISTRATION OF SHIPS

4. PROCEDURES TO COMPLY WITH THE FUNCTIONS OF THE PERSONAL DEPARTMENT RELATED TO THE SHIPS PERSONAL

   4.1. SELECTIONS, RECRUITMENT AND PROMOTION
4.2. COMMUNICATIONS
4.3. TRAINING AND MOTIVATION
4.4. WAGES, SOCIAL SECURITY AND ALLOWANCES

5. PERSONAL ASHORE

CHAPTER V
COMMERCIAL AND TRAFFIC DEPARTMENT

1. FREIGHT RATES
   1.1. SYSTEMS TO BE BASED
   1.2. REBATES
2. CHARTERING
   2.1. BROKERS
   2.2. TYPES OF CHARTERING
3. SCHEDULING
4. MARKETING
5. ROUTING DOCUMENTS, PORT FACILITIES, COLLECTION AND DELIVERY PROCEDURES
6. CARGO HANDLING OPERATION
7. STEVEDORES
8. COST COMPONENTS OF A COASTAL SHIPPING OPERATIONS
9. SALES EFFORTS AND SETTLEMENT OF CLAIMS
   9.1. SALES AND PUBLIC RELATION
   9.2. Claims
10. UNITIZATION OF CARGO
11. COMPETITION AND COOPERATION
CHAPTER VII

THE ROLE OF THE AGENT

1. DEFINITION OF AN AGENT
   1.2. BEFORE THE CALL
   1.2. DURING THE CALL
   1.3. AFTER THE CALL

2. AGENT AS SOURCE OF INFORMATION

3. AGENT AS REPRESENTATIVE

CONCLUSIONS AND RECOMMENDATIONS

BIBLIOGRAPHY
CHAPTER I

INTRODUCTION

1. PURPOSE OF THE STUDY:

1.1. GENERAL OBJECTIVE:

The general objective of this work, is beside of being a requirement established by the University to get the degree, presenting in a general but clear way a proposition of an administrative organization, description of administrative units, functions, procedures, responsibilities, definition of relevant problems related to certain tasks within the organization guidelines, improvements and recommendations that could be useful.

It is also useful as a source of information for any employee working in this coastal shipping company in a developing country taking into account the lack of maritime knowledge need for the employees to perform well and therefore the effectiveness of the company as a whole.

1.2. IMPORTANCE AND JUSTIFICATION:

There is a lot written down about organizational structure of a coastal shipping company, depending only on its size type of trade, area of operation, etc... However, in my opinion this is a useful work for my company which even having been founded some years ago, nowadays is starting to introduce a new organizational system and some changes in order to reach a competitive position specially now when the effectiveness and
better service leads to profitability which means survival.

It is also important that in a non-maritime traditional countries, as Colombia, the average person does not have any knowledge about maritime affairs. Thus, the workers who apply to work in a shipping company usually has economical, commercial, technical background but very seldom they have knowledge about shipping industry. Thereby, they could easily make big mistakes due to the fact that they manage a shipping company in the same way that another industry.

Therefore, this work could be useful for all employee of a coastal shipping company needed of some guidance, descriptions, and most relevant aspects within a shipping company.

2. DEFINITIONS:

The main terms related to coastal shipping are:

The term Coastal Shipping is defined as shipping operations taking place within the territorial waters of one country, or between ports of call in one country. However, the use of the term may differ throughout the world.

Coastal shipping can be divided into:

- Scheduled services
- Non-scheduled services

Scheduled services can be divided into:

Coastal Services: There are basically the long distance service, covering several countries or regions.

County or regional services: These will basically serve ports of call within one county or region.
- Local Services: Will generally operate within very limited areas, perhaps only one municipality.

  Non-scheduled operations can be divided into two main groups
- Charter operations: trip charter, consecutive charter, time charter, transport contracts.
- Ship owned and operated by the transport users, for example large firms such as oil companies.

  The cargo structure will normally be different for schedule and non-scheduled operations. The scheduled services normally take care of general cargo, either as break bulk or unit loads. Non-scheduled operations will carry cargo for one or a limited number of customers.

3. BACKGROUND:

  This work is dedicated to the improvement of an administrative organization of a coastal shipping company which serves the cargo transportation between the port of Catagena and St. Andrews Island ports.

  The distance between the two main ports is about 380 miles.

  The company was established 17 years ago and it is privately owned. Since 3 years ago, it was introduced a big change—right after the entrance of new shareholders and the injection of more capital was done.

  This new phase in the company has shown the necessity of a change also in the organizational and administrative structure in order to comply with a better service and reach a competitive position.
The company has a fleet made up of single deckers ships - with an average of 1,000 tons thereabout. These vessels operate in a scheduled service between the ports above mentioned.

Nowadays, the company is starting to go into a new service, the international route from St. Andrews or Cartagena to different ports in the Caribbean zone. But before getting into the new service, the company should overtake a well established organization and strong coastal shipping service.

At the present time, the company faces problems related to maintenance in technical department, needs a new organization within the commercial and personnel department and must establish some policies and controls to comply with them.

The financial department needs also some adjustments but, one of the biggest problems the company faces is the one related to agencies and competition problems.
CHAPTER II

ADMINISTRATIVE ORGANIZATION OF

A COASTAL SHIPPING COMPANY

1. OUTLINE OF THE STUDY:

It is possible to organize a coastal shipping company in various ways.

The purpose of this chapter is to give an example of one organization which I consider is the most suitable one for a company under certain conditions which have been explained in Chapter I.

In this chapter, I will also give a general description of each department or unit working within the whole organization and its responsibilities and main functions.

The list of tasks I will give, may not necessarily cover all aspects of coastal shipping operations. The relative importance of the various tasks may vary with operators. However, clear out responsibilities and clearly defined organizational patterns are important.

2. ORGANIZATION CHART:

In the organization chart of the company, we can see the following units:
- Shareholders' meeting
- Board of Directors
- Managing Director, he can be assisted by Assistant Director
- The four main departments
BORD OF DIRECTORS

Managing Director

Assistant Director

Technical / Marine Insurance Department
- Inspections
- Repairs
- Insurance
- Claims
- Purchase and Control of Spare parts Maintenance

Personal and Administrative Department
- Wages, Social Security, Holidays, Turn Over, etc...
- Promotion Recruitment Selection Policies

Commercial/traffic Department
- Commercial Traffic
- Contracts, Operation Sales, Schedule, Operating
- Claims Costs

Finance/Accounting Department
- Accounting
- Financing Costs, Analysis Sources of Financing
- Costs
3. TOP ADMINISTRATION:

3.1. SHAREHOLDERS' MEETING:

It is generally the shareholders who decide all important questions including the annual accounts, election of the Board, arrangements for daily management, etc..

A minimum of one shareholders' meeting each year will have to be held.

3.2. BOARD OF DIRECTORS:

In some countries the employees have been given the right to be represented on the board. There is also a tendency in many countries towards greater participation on the part of seamen, at least in the daily routines on board the vessel.

3.2.1. The Board and Daily Management:

It is the Board which acts on behalf of the company, and generally the board can decide on all questions, including the sale and purchase of vessels, chartering activities, etc... without asking the shareholders.

In family owned shipping companies, the Board and the general Manager may often be the same person, thus concentrating great authority in the hands of one person or a small group of persons.

3.3. MANAGING DIRECTOR:

The daily management is the responsibility of the managing director, who sometimes could be assisted by the assistant director who should also act as an economy director.

3.3.1. Main Functions:
The functions normally handled by the top administration can be summarized as follows:

- To lay down the company's policy i.e. its aims and objectives.
- To lay down the main policy lines, and coordinate the running operations.
- To take care of long and short range planning in the fields of activities.
- To decide on and implement investments.
- To take care of public relations and business relations (external relations -)
- To establish an effective system of control.
- To develop an efficient and at all times suitable organization with fully qualified personnel in all managerial positions.
- To establish and maintain favourable working conditions which inspire maximum efforts from the employees and which ensure the best possible use of the human resources.

The rest of the organization is thus the frame of reference which the management or the top administration must use in reaching and implementing decisions.

4. MAIN DEPARTMENT WITHIN THE ORGANIZATION:

The organization is divided into four departments:

- Technical Department
- Personnel and Administrative Department
- Commercial and Traffic Department
- Economy, Finance and Accounting Department

4.1. TECHNICAL DEPARTMENT:

4.1.1. Description:

It takes care of the fleet management, including storing, repair, maintenance and dockings. The department is usually responsible for building of new ships, often organized in a new building section. Project development with optimization studies and operational analysis is done in cooperation with other departments, mainly the commercial department.

In the section of marine insurance it handles ship insurance, statistics of damage and makes preparations for adjustments of claims.

4.1.2. Main Functions and Responsibilities:

Basically the responsibilities of the technical department are as follows:

- Preparing technical analysis and relevant technical statistics. These analysis can be related to problems such as most efficient types of equipment, main engines and alternative vessels. Technical statistics will cover aspects such as fuel consumption related to various operations, statistics connected with maintenance and reliability.
- Development of new types of ships
- Preparing drawings and specifications for new buildings, re-buildings and alterations
- Inspection at yards during new building and major alterations
- Maintenance: planning, coordination, control, preparing specifications and training.
- Spare parts set-up, including the management of spare parts stocks and purchase of spare parts.
- Inspection of the ship
- Inspection and technical operation of quays and berths
- Safety on board
- Purchasing of bunkers, luboil, stores, etc...
- Rationalization of shipping operations
- Special technical or maritime problems in connection with development of new ships, rebuilding, acquisition, sale and chartering of ships
- Problems arising from accidents.

4.2. PERSONNEL AND ADMINISTRATIVE DEPARTMENT:

4.2.1. Description:

This department is responsible for the main organization, for personnel, internal services and internal control. Within all these fields a new development has taken place during the last few years. The importance of a sensible employment policy combined with systematic training has been given increased emphasis.

Internal control covers the traditional auditing as well as the more detailed control work required to ensure that the organization works according to the policies laid down and within the working instructions given.

4.2.2. Main Functions and Responsibilities:

The main functions of this department are:
- Planning of recruiting, basic training and continuous training of seamen
- Keeping records of seamen applying for jobs
- Hiring and firing of seamen
- Preparing working schedules for officers and other crew members, holidays schedules and hiring relief personnel
- Preparing budgets for wages, social security and allowances for crew, and office personnel keeping the relevant accounts etc..
- Management of office personnel
- Office administration and routines
- Planning of motivation of personnel, promotion, etc.

4.3. COMMERCIAL AND TRAFFIC DEPARTMENT:

4.3.1. Description:

This department is in charge of arranging employment for the vessels and are also responsible for their operation. This department are frequently referred to as chartering department in bigger and international shipping companies and it is responsible for the planning, preparation and running of the services except for technical and crew decisions, but also are involved in the establishment of freight rates.

4.3.2. Main Functions and Responsibilities:

The principal functions of this department are

- Planning and preparation of schedules
- Routing and allocation of ships
- Preparing traffic analysis, forecasts, statistics, etc..
- Various matters regarding freight rates and fares
- Liaison with the representatives of the company in the various ports
- Public relations and advertising
- Liaison with the public, various organizations and authorities in matters regarding the traffic / claims and settlement of claims
- Marketing and Booking cargo
- Allocation of space
- Responsibility for routing, documents, port facilities, loading / discharging
- Control of port expenses, stevedore contracts, etc...

4.4. FINANCIAL AND ACCOUNTING DEPARTMENT:

4.4.1. Description:

It covers budgets, accounting, EDP and finance. Regular reports are prepared for each operational department, each ship and for the company as a whole. The management needs to keep the accounting up to date with operational at all times, with changes and corrections when necessary.

Long range planning, reporting of the economic results, to make control of those results, it is also an essential task of this department.

To arrange finance when building new vessels, and

- to find the highest interest for liquid working capital,
- are also other activities together with follow up the unstable currency markets and protection against currency loses.
4.4.2. Main Functions and Responsibilities:

The main functions and responsibilities of the Finance, Accounting and Economy Department are:

- Budgeting
- Accounting
- Accounting Analysis
- Economic Analyses and Statistics
- Planning
- Financial Analyses
- Forecasting
CHAPTER III

TECHNICAL DEPARTMENT

1. COMMON PROBLEMS RELATED TO MAINTENANCE OF SHIPS AND EQUIPMENT WITHIN A COASTAL SHIPPING COMPANY:

1.1. CAUSES:

With the limited technical tradition in many developing countries, the concept of preventive maintenance is not fully understood. It is quite common that checking of items, such as water on batteries, engine oil and others, is not carried out. The result is often complete breakdown.

Operations in tropical countries will normally require a more extensive maintenance than in countries with temperate climate. The relative high humidity and heat tend to cause heavy corrosion of steel hulls, be harmful to electronic equipment, etc... Thus, the equipment used under such conditions should primarily be designed with this in mind. However, this is not always done, hence the life time of the ships and equipment will basically be reduced during operations in tropical climate.

The standards and availability of life saving equipment are often inadequate, fire extinguisher must be tested periodically.

The causes of the above mentioned, are due to:

- Lack of technical tradition and acceptance of the concept of maintenance.
- Lack of qualified personnel.
- Lack of spare parts.
- Lack of maintenance facilities.
- Climate conditions.

2. SAFETY PROBLEMS WITHIN A COASTAL SHIPPING COMPANY:

Generally speaking, safety must be improved on the existing fleet in many developing countries. During a reasonable time period the ships will be replaced by new vessels where more stringent safety measures can be adopted. For a large part of an existing fleet, for example, adequate fire prevention may be technically impossible.

2.1. SAFETY MEASURES:

Safety measures on the existing fleet should primarily be related to:
- Adequate life saving equipment
- Revised loading certificates
- Fire extinguisher system

It is of paramount importance that the condition of life saving equipment, fire extinguisher, and the utilization of cargo capacity are inspected regularly.

2.2. INSPECTION RELATED TO SAFETY:

Rules regarding maintenance of vessels and equipment are also an important part of safe operations.

The technical conditions and maintenance of the vessel should be inspected regularly.

Rules and regulations regarding safety are worthless without proper inspection and enforcement. When the rules are
introduced to an existing fleet, a limited time period must be allowed in order to carry out the necessary improvements for the shipping companies.

3. PROCEDURES TO IMPROVE MAINTENANCE OF SHIPS AND EQUIPMENT:

Maintenance of ships and equipment, or rather lack of maintenance, is a problem for many coastal shipping operations, particularly in developing countries.

Adequate maintenance is absolutely necessary for safe and reliable operations.

3.1. PRINCIPLES OF PREVENTIVE MAINTENANCE SYSTEM (PMS):

Preventive maintenance can be based on two basic principles:
- According to time intervals
- According to condition

A system based "on condition" will probably be more economical than a system based on fixed time intervals. However, the main problems of the "on condition" system is to be able to carry out accurate checks of the actual condition of the various components. Thus, this system will require a higher degree of technical know-how and skill than a system based on fixed time intervals.

With the time based system, the various jobs to be carried out are determined by the operating hours or time periods for example, monthly, yearly, etc... Experience seems to indicate that a time based maintenance system may result in unnecessary work, being carried out.

3.1.1. Operations of Preventive Maintenance System:
A preventive maintenance system should be based on the following operations:

- Daily checks
- Regular Inspections
- Overhauls
- Replacements

Clear instructions on procedures as well as precise technical data are necessary for the system to work. In order to determine the condition of the various components measurable tolerances must be given.

3.1.2. Procedures of PMS:

An efficient system requires satisfactory follow up procedures. A satisfactory follow up of a maintenance system will require:

- A basic and fixed maintenance system, the system must be clear and simple
- Clear technical data and tolerances
- Satisfactory equipment and manuals
- Regular reports

3.1.3. Scope of PMS:

A preventive maintenance system should primarily cover:

- Vital components for the operation of the ship, such as engines, gears, propellers, etc...
- Particularly expensive parts and components with a long expected lifetime.
- Safety Equipment
In addition to the preventive maintenance, a running maintenance should be carried out, as for example painting of the hull.

3.2. INSPECTIONS RELATED TO PMS:

The frequency of major inspections in a preventive maintenance system, will vary according to:

- Technical regulations by authorities, classification societies, etc...
- Previous repairs records
- Practical experiences
- Conditions on board or operating conditions.

Building up of practical experience during the operation of the ship, tends to increase the inspection intervals. However as the ship gets old, the repair record may indicate that the intervals between the inspections should be shortened.

Operations in tropical waters may require more frequent inspections than in temperate climates.

Other factors which will determine the time intervals between inspections, whether replacement or repairs should be carried out, can be:

- Age, condition or value of the component
- Importance in relation to the operation of the ship
- Operating hours
- Operating condition, high loading
- Operating tolerances
- Location
- Safety
- Costs of replacement

3.3. ECONOMICAL CONSIDERATIONS OF APPLYING A PMS:

Maintenance costs money. In this connection it is important to compare the costs of maintenance with the results obtained. By carrying out preventive maintenance, the following is achieved:
- Increased lifetime of the ship and the components
- Reduced number of breakdowns
- Improved planning of maintenance and operations
- Ordering of spare parts to be coordinated with repair jobs, thus reducing off-hire
- Even utilization of maintenance personnel

4. PLANNED VISITS TO REPAIR YARD:

It is important to keep time spent at repair yard should be carefully planned with an efficient preventive maintenance system, the needs for repair due to breakdown will be limited.

4.1. GUIDELINES TO REDUCE THE TIME AT THE REPAIR YARD:

The time spent at the repair yard can be reduced by:
- Carefully selecting the work that has to be carried out at the repair yard. Jobs that can be carried out by the crew should not be done by the yard.
- The visit should be carefully planned. Tenders should have been received, or firm price quotations obtained. However, it can be difficult to avoid additional work, thus the invitation to tender may be difficult to prepare.
- Spare parts should be ordered in time, to avoid delays due to late arrivals of parts.
- The yard should be provided with clear specifications of the work to be carried out, and in some cases also information on the accessibility of certain components.

5. THE ROLE OF THE INSPECTORS:

There should be in any coastal shipping company, one technical inspector for two ships and one deck inspector for each four ships.

In case where there are two or three vessels, if the company applies a good preventive maintenance system, it is not necessary to have two inspectors, one deck and one technical inspector. The technical inspector could cover both inspections since the engine usually has more complex and frequent problems than the hull.

The inspectors are often experienced officers. Often, former captains or Chief Engineers. In recent years many shipping companies have, however, engaged inspectors without any direct maritime experience, for instance, engineering graduates.

The inspectors have frequent contact with the ship. They receive periodical reports on the conditions of the machinery and the hull, on how the daily running of the ship develops, for instance, average speed, position, machinery conditions, situation, winds, sea condition, etc.... Based on the reports and other types of contacts, the inspectors ashore are able to get a picture the condition of the ship and thus
decide on the repairs and improvement required.

Before docking, the officers make up what are called workship lists which are sent to the home office and which are the basis of the inspector's evaluation of what is to be done at the shipyard.

During the ship's stay in the yard, the inspector will act as the owner's representative at the yard. He is present and supervises together with the ship's officers, the work at the yard, to ensure that it is carried out in accordance with agreements. They must be present also when repairs or improvements over and above the regular maintenance work are being done.

The inspectors also are in charge of controlling the purchase, stocks and management of the spare parts. They receive the requisition order from the captain, who has made it with the cooperation of the chief engineer in advanced. The inspector checks the stocks through the card index and gives or not the authorization to buy the required part.

Sometimes they can not decide by themselves, and in those cases they go to the technical department director or managing director, depending upon the importance of the investment.

The same rule is applied for undertaking technical services.

After being accepted and authorized the list of requirements is passed to the purchase section where the quotation, selection of provider order is done.
The inspector as a link between the ship and the office is in charge of transmitting all relevant information to the ship preparing the work list, and safety lists of periodical surveys and damages to be claimed in the insurance company.

6. MANAGEMENT OF SPARE PARTS:

Part of the problem of inadequate maintenance in many coastal shipping companies is often related to lack of management of spare parts. For that reason it is necessary to have a stringent control on this matter.

The section in charge of management of spare parts receives the list of requirements or needs from the inspectors who have already given the nod to the list.

The list of items must be checked with the card index ashore in order to control the stocks and consumption.

The card index shall be filed and each file card must contain the following information:
- Code of the ship or her name
- Code of the component, part or unit
- Code of the spare part
- Description of the part
- Localization of the part within the component or unit
- Price
- Providers or Manufacturers
- Minimum level established
- Maximum level established
- Existent quantity
- Consumption

Eventually, the quotation is made and finally, the order is sent to the chosen provider. This order shall contain a set of copies which will be distributed to the concerning departments, technical, accountant and the ship to check the receives with the order when they be received.

In order to have the spare parts' file up to date, the ship through the inspector has to notify about all the spare parts received or not and the spare parts used. At the end of the year a physical inventory should be done and the results of it must be equal to the two car index on board and ashore.

7. PROVISIONS AND FUEL:

Controlling the purchase of provisions, fuel oil and lubricating oil, is rather difficult, especially the provisions - like food and other items. Therefore, I suggest to establish regular periods to supply them and minimum and maximum levels of quantities. But the company must be careful in establishing such a control because we can not afford to be inflexible. The success of this control is to set a middle point of flexibility in establishing those tolerances margins.

8. REPAIRS:

As I have written before, a PMS should be based on daily checks, regular inspections, overhauls and replacements. And an efficient system requires right procedures as:
- Basic and fixed maintenance system
- Satisfactory equipment and manuals
- regular reports

Following the procedures, the inspectors should gather all the records (see Annex 2). These records must be filed and contain:
- Ship's code or name
- Type of repair and Maintenance
- Date programmed for legal inspections
- actual date of the maintenance or repair
- Equipment's code
- condition of the equipment (good, fair or poor)
- Description of the job done
- People involved in the work (officers, crew, number, working hours)
- Spare parts used: (code, description, quantity)
- Comments
- Chief Engineer signature

Each form of record must have one original and two copies. The original will be filed on board and the copies will be sent to the technical and personnel department.

9. INSURANCE:

Another important aspect which most of the time is related to this department is, dealing with insurance claims and policies.

The scope of marine insurance may be looked at in 2 ways:

9.1. PERILS COVERED: When insurance is effected, the in—
ship under a Bill of Lading or Charter Party.

Normally, the goods will be insured for their full value on arrivals. This value will take into account the original cost of the good, the cost of the insurance in transit and the cost of carriage or freight, customs duty may also be included in the cost.

c. Freight Insurance: When the shipper of the freight in advance, the cost will be added to the value of goods for insurance purposes. But when shipowners is not to receive payment until the task is carried out, the shipowner will be the one with the insurance interest in the freight and can insure the amount of it. He insures against being all or partially lost if ship fails to reach her port of destination.

Finally, to sum up, the shipper has the responsibility of insuring the goods in transit, while the shipowner has the responsibility of insuring the hull and possibly the freight.

9.3 THE POLICY DOCUMENT:

It must state the name of the assured, the conditions of the insurance, when cover commences and finishes, the sum insured, and the name of the insurers.

9.3.1. Types of Policies:

a. Voyage Policy: covers the risk of a particular journey and provides cover from the part of departure to the port of destination.

b. Time Policy: It is for specified period of
tention is to provide financial compensation for any loss, damage or injury which may occur.

Perils of the seas, is a term found in marine insurance policies. This means that the peril must be something which can only occur in transportation by sea, not something which might just as well occur on land.

9.2. INSURANCE OF PROPERTY:

Marine insurance also applies to the property covered.

When looking at the insurance of property we must first take a look at one of the fundamental principles of insurance:

Insurable interest: if the marine insurance contract is to be properly valid, the assured must have an insurable interest in the item insured. This means that the assured must be interested in keeping the item insured safe, in good condition and undamaged and that he will benefit from its safe arrival.

9.2.1. Types of property insurance:

There are three main types of property insurance:

a. Hull Insurance: It covers the loss or damage to the vessel herself - hull and machinery -. It also covers liability incurred in respect of damage to other vessels.

b. Cargo Insurance: May be taken out to cover goods of every kind which are being transported by
time, but no more than twelve months.

c. Mixed Policy: Combination of time and voyage insurance.

d. Building Risk Policy: When the vessel is being constructed and until the vessel has been successfully launched and delivered to her owner. It is also used when the ship is under repair.

e. Floating Policies: it is used in the insurance cargo.

9.4 PROTECTION AND INDEMNITY CLUBS (P & I):

The problem of covering risks which fall outside the ordinary marine insurance policy has been solved by the shipowners forming Protection & Indemnity Clubs. These are mutual insurance clubs which provide shipowners with the security which is not provided by the policy. The risks covered by the P & I Clubs are third party liabilities also including damage to persons and property.

Major protection risks covered by P & I:

- personal injury, other crew liabilities
- 1/4 collision liability not covered by the hull and machinery policy
- damage to piers, harbours, etc...
- removal of the wreck, damage to the vessels other than by collision.

P & I Clubs provide protection against third party risks including to a limited extent damage arising from oil pollution.
CHAPTER IV
PERSONNEL AND ADMINISTRATIVE DEPARTMENT

Since this department is in charge of all the administrative functions and personal management within the company, it is necessary for people who are involved in it, to have at least a general knowledge of the organization, activities, functions, responsibilities, routines, needs, and requirement of the seamen who are working on board the ship. For that reason, I will start this chapter with the organizational structure within a vessel, officers and crew functions, activities and other relevant aspects. Thus, the manager will be able to know the requirements and features people have to fill, in order to establish policies related to matters such as recruitment, communication, promotion, training, etc...

1. OUTLINE OF ORGANIZATION ON BOARD:

The Crew: The structure of any ship, from the small coastal vessels to the largest cruise ships is built up on the same pattern. They are divided into three departments each with its own particular duties, yet closely integrated with one another and co-operating to create a harmonious team and a complete unit functioning together. The supreme head in command of ship and crew, is of course, the captain (more properly referred to as the Master).

This structure gives a general picture of how the crew is made up but may vary according to:
- the size of the ship
- type of the ship
- technical standard
- number of ships, i.e. type of operation
- trade
- area of operation
- company
- nationality of the ship

Advanced technical equipment will tend to reduce the crew requirements. This applies for example to partially unmanned engine rooms.

1.2. THE DECK DEPARTMENT:

This is the executive department for the navigation, manoeuvring and safe handling of the ship, for communication between ship and ashore, the handling and delivery of cargo, the general maintenance of the ship and for the control and operation of all lifesaving devices.

The Chief Officer or mate (also known as First Officer) is the senior executive officer responsible for the efficient running of the ship, and he is assisted by the second and Third Officer. He is responsible for ship's discipline and the stowage of the cargo.

The Second Officer has an overall responsibility for the navigation of the ship and the upkeep of the navigational equipment.

The Third Officer is usually responsible for the ship's safety equipment.
The Radio Officer (Sparks) belongs to this department. He is responsible for all communications between ship and shore. Although he comes under the deck department, he reports directly to the Captain who gives him his day to day orders.

The Radio Officer may also act as the Captain's secretary. He follows the weather reports and picks up navigational warnings and keeps the Master informed. He also checks the time signals so that the ship's chronometers are kept correct. The Radio Officer's most important duty is to be prepared in case of emergency to broadcast immediately the ship's difficulties or danger to shore or ships in the vicinity.

Under these Officers are the Petty Officers who hold the rank above that of an ordinary seaman, but below that of a commissioned officer. Head of these in the deck department is the Bosun or Boatswain. The Bosun is responsible to the deck officers. He is the foreman of the crew and puts into effect the Chief Officer's instructions on the day to day running and maintenance of the ship. The Bosun prepares a crew duty list. Some of his men are on watches, some on day work.

The ship's Carpenter (Chippy) is equal in rating to the Bosun and undertakes general deck repairs and maintenance. Neither the ship's Carpenter nor the Bosun stands watches.

Below these two petty officers are the other ratings who are made up of AB's (able bodied seamen), Ordinary Seamen (OS) and possibly a deck boy.

1.3. THE ENGINE DEPARTMENT:
This department is concerned with the proper running of the ship's engines.

The Officer in charge of this department is the Chief Engineer. He is responsible for the engines and technical equipment. Under him he has four or more assistant officers, the Second, Third, and Fourth, but the number varies according to the size and type of ship. Many ships carry electrical officer also.

The Second Engineer is the executive officer of the engine room and is responsible for the practical upkeep and maintenance there.

Under the Engineer Officers are the Petty Officers. These can include on some ships a repairer, motorman, oilers, and sometimes a mechanic.

1.4. THE CATERING DEPARTMENT:

This department can be divided into two sections:

a. the galley crew in the ship's kitchen or galley and b. the stewards in the saloon and cabin.

The whole department works below decks and is under the charge of the Chief Steward. He manages the galley and is in charge of mess room and cabinpersonnel. He also deals with provisions and ensures that the food on board is suitable.

a. The galley crew may consist of a chief cook and two galley boys. Of course, the number of assistants to the chief cook depends on the size and type of ship.

b. The second steward is in charge of the crew of men and boys who wait at table and keep the cabins clean.
2. ROUTINES ON BOARD:

At sea the principal task is to navigate the ship and carry the cargo safely between the ports. A large part of the crew's time is therefore allocated to watches. The day is divided into six watches of four hours each.

According to the ship's equipment, the sea and the weather conditions one or two of the crew will be on the look-out and work at the wheel.

In the engine room one motorman/greaser in addition to the engineer will be on watch.

Whilst at sea the rest of the crew will do maintenance and service work.

The ship will normally be in port only for loading and discharging. Apart from these operations, necessary maintenance, supplementation of supplies, and equipment will be given preference when in port. A number of social matters such as visits to doctors and dentist must, however, also be arranged.

The watches when in port will be limited to load and discharge watches for the mates, possibly also for engineers and for electricians. For the crew the watch duties will be a light watch in the engine room and possibly a deck watch during the night.

3. MODERN ADMINISTRATION OF SHIPS:

The modern ship must be managed as a modern industrial unit ashore.

This is clearly seen when working out the following elements:
- the organization chart of the ship
- job instructions
- routines for watches, greasing, cleansing, etc...
- instructions
- systematic job planning
- planned maintenance

The organization chart tells everybody on board where he belongs, who are his superiors and subordinates, together with whom he will normally work, where he is placed in relation to the others, etc...

On top of the organization is the planning committee, consisting of the captain and the department heads.

The job instructions state the individual jobs and duties on board. Job instructions are normally worked out only for the officers and other important positions.

A number of jobs are done on a routine basis. Routines are laid down for such jobs, describing what to do, examples are greasing routines, berthing routines, telling where everybody shall be during berthing etc...

As an example, watch instructions are typical and are laid down for mates and engineers.

The captain's night instructions book is also an example on how the captain gives his instructions for the night, before he turns in.

There are different ways to do systematic work planning and it is difficult to say what is the best. Here I show one way which could be suitable.
The planning of the maintenance is coordinated by the planning committee. The committee:
- decides when the jobs are to be done
- decides who is to do the jobs
- checks the work carried out

Before every voyage of any length the committee will carry out an inspection of the ship. The intervals between such inspections should not exceed one month.

During the inspection, notes are made on a main plan about all jobs which should be done. These jobs are also given provisional priority. After carrying out the inspection, the department heads extract from the main plan the jobs they want done within a week. These jobs are the listed on a department plan.

Then the planning committee comes together, and based on the department plans, the working programme is resolved. The jobs are then allocated and put up. When the committee meets, they receive reports on the progress of the work. The jobs which have not been carried out will then be transferred to the next working programme. When a new working programme is set up, the old done is discarded.

Systematic planning makes possible a better joint utilization of the available manpower on board. This is also a necessity on board a ship where the subordinates alternate between deck and engine. An example of planned maintenance is a card index which gives details as to inspection of a particular machine, spare parts stocks, uses and receives.
4. PROCEDURES TO COMPLY WITH THE FUNCTIONS RELATED TO THE
SHIP PERSONNEL:

4.1. SELECTION, RECRUITMENT AND PROMOTION:

The traditional methods of selecting personnel for ships, are well known: a very common method is for a boy to write to a shipping company, and provided he holds approximately the right academic qualifications, he is then summoned to an interview at the company’s office. The choice of whether the boy should go into the deck, engine room or catering department is usually left entirely to the needs in the shipping company and with absolutely no measurements of his aptitudes being taken.

It is imperative for shipping companies to select the right boys if they are to get a reasonable return on the money they invest in training. This selection may be done by a company’s own staff or by an independent firm of psychological consultants.

All sound recruitment procedures must, however be based on a prior job analysis. It is a complete waste of time selecting a boy on the basis of his academic qualifications or on the manner he dresses. If, for any reason, a company cannot afford the cost of carrying out a full job analysis, then the best method it can adopt is:

- receiving the applications for job of anybody with their qualifications

- make own questionnaires asking relevant information to be known from the applicants. That could be made after defining
each job on board as closely as possible. Studying carefully what physical work the man needs to do, what mental work he has to do, what knowledge he needs and what abilities he should have. The design of this questionnaarie must be done by ship department's heads.

- interviews inviting the Master, Chief engineer or Chief officer to interview the applicants. Between them, these officers should be able to select the most suitable boy.

These two last points have the added advantage of bringing the shore and sea parts of the company closer together and of stopping complaints from the sea staff about the quality of the recruits.

The right selection of seamen, is probably the most important step a shipping company needs to take, in order to improve the human resources. After selection comes another important step: promotion.

Usually, most promotion is based on length of service rather than on merit. Although, it should be mentioned, if a man is in the right place at the right time he may enjoy accelerated promotion.

Promotion on length of service is harmful in a number of ways.

It is a source of frustration to the more able young officers. It may mean that, just through sheer length of service, a man may be promoted to a senior position for which he is not really fitted, and it suppresses initiative - for men become more interested in keeping their records clean than in doing any thing out of ordinary.

There are some ways of carrying out promotion on
There are some ways of carrying out promotion on merit. The most effective way is to base promotion on reports from masters, senior officers, and superintendents.

The reports currently used by many shipping companies, will need to be vastly improved. Furthermore, those masters and senior officers who have to make these reports will need to be instructed and trained in reporting procedures. These senior men will need to be given a clear understanding of what is required of them, they will have to work to a common standard, and they will have to take their reporting role seriously.

It is important that a report is shown to the officer concerned before it is dispatched to the personnel department in the office. It is also important that the company’s report tallies with the official report given to the man in his discharge book.

The personnel department of the company should be able to design their report forms for only they will know what weight they attach to the various factors of performance and personality. Sound report forms can only be based on a true job analysis.

Personnel department should also have records for each person who is actually working, who has worked before in the company, and who is applying for a job. Each record should contain, depending on the case, all the personal paper questionnaires, reports from the ship, qualifications, curriculum vitae, etc... related with the workers.
4.2. COMMUNICATIONS:

Often it is only by such cables that the contact between the ship and the office is maintained. This kind of contact between the office and the ship is one of the most important events in a shipping organization, but it should not be the only kind.

The ship is the production department and produces — the transportation service which represents the product sold by the company.

When communications are good all employees know what is going on, they have a board understanding of the past achievements and future policy of their company and they have a clear idea of what is expected of them. They feel loyal towards their company. On the other hand, when communications are poor or non-existent, workers do not know what is going on, they find no reason to identify themselves with the company and they probably sink their loyalty into some other organization.

Not only are communications important for the well-being of the workers, but they are also essential for effective management. A manager or shipmaster must, of course, delegate responsibility and work to others but he should do this in such a way that he will be kept fully informed of all that is going on.

Communications must be vertically upwards as well as downwards. It is not enough for a manager simply to tell his men what they must do, he needs to know what his men feel a—
bout the proposed task or project.

The problems of communications are are probably more
difficult in shipping than in any other industry. Firstly, -
there is the barrier caused by the geographical separation -
and secondly, there is the barrier caused strongs graded -
ranks on board the ship.

The more severe of these two barriers is the gap -
that exists between head office and the ships. The only com-
munications most of them receive from their head offices are
books of instructions or condemnatory circular letters.

One of the most positive steps which can be taken to
improve morale at sea is for all ship managers to make it -
their duty to keep their sea staff fully informed of all ma-
tters affecting the company. Ship managers should also ensure
that they ask, positively, for a feed back of information -
from their ships.

The head of the personnel department in a shipping -
company, has to make plans to improve communications between
ships and ashore. This communications could be :
- through joint consultative meetings with ship department's
  heads each time the ship arrives to the port.
- joint consultative committee in which is included represen-
tatives of different ranks on board the ship and representa-
tives of each department ashore, at regular or irregular int-
tervals. At these meetings, manager is able to tell the work-
ers of current plans and at the same time, the workers are a +
bere to come up with ideas for improving efficiency or with -
their complaints. These meetings should be before ship leaves the port and another just after the ship leaves the port.

- Personnel manager also should pay visits to the ship to meet the crew

- Prepare some lectures for the crew. Some of which delivered by the company's own manager deal with company policies. And others more specialized as personnel management, organization problems, etc...

- Letters will of course be sent when details are being passed on and when time permits. The company's Agent will also send information and instructions to the ship

- Encourage Masters, officers and ratings to submit operational reports

Knowing the needs from ship and from ashore the manager will be able to prepare working schedules, holidays and hiring relief personnel.

4.3. TRAINING AND MOTIVATION:

In developed countries properly trained and qualified personnel is available for coastal shipping operations. Specialized training may be required when new equipment is being introduced, but such courses will normally be comparatively short.

In developing countries, however, the situation may be entirely different. The demand may vary from company to company.

Training is not only connected to the improvement of skills, but also to improve motivation for doing a consien
tious and proper job, as well as adapt to changes and new -
routines.

The development of training programmes require detailed planning. The extent of the programmes at the various levels will depend on the qualifications and the experience of the personnel involved. The first phase in a training pro---
gramme may be to train instructors.

The training may be related to the following types of personnel:

- management and staff
- ship's officers
- maintenance personnel
- operators of the terminal

The training alternatives could be:

- on-the-job training
- seagoing experience
- college courses

For "on the job" training special work books should be issued to each man, the work book lists up the necessary -
qualifications. On a ship for example, the Master can sign -
the work book when he is convinced that the seaman has obta-
ined the required knowledge on the particular subject.

College courses cover both theoretical and practical training.

Well established policies related to communication, -
promotion based on merits, training and remuneration makes ea-
sy to have people motivated but beside that, it would be good
idea to reward their abilities and diligence or some extraordi-


nary work or behaviour they could show. In fact, employees -
are usually paid for the work they do rather than for how -
good they do it.

One of the ways to reward people could be giving to
them some each time they have outstanding behaviour or they -
make good jobs, for instance painting, make some spare part ,
etc... and each point means some money to be given to them at
the end of the year.

4.4. WAGES, SOCIAL SECURITY AND ALLOWANCES :

The last but not the least point is the preparation -
of budgets for wages, social security, allowances, etc...this
is usually made depending on the own country’s legislation.

In the case of coastal shipping company in developing
countries, is rather difficult to define a laboral policy be-
cause there is nothing written about that.

Legislation for seamen in international trade is not
always applicable to coastal trade because of the features -
of seamen engaged in international companies are rather diffe-
rents from the coastal ones. For instance, time spent at port
is usually longer in coastal than in international trades. -
that is due to problems in port, cargo handling, equipment, -
etc...because of the low specialization of the equipments, s--
pecially in developing country. On the other hand, time spent
at sea is shorter in coastal shipping than in international -
trades due to the distance between the ports.

In the particular case of the company, time spent in -
ports is longer than time spent at sea in each round voyage. However, seamen working at sea whether be international trade or coastal trade have some differences regarding to working times, holidays, salaries, etc... therefore, the company has to define some policies applying the rules found applicable to the workers either in maritime legislation or general legislation. And then, convene meetings among the parts to agree a collective convention.

To give some guidelines bases, I can say that remuneration should be based on:
- certification
- position on board the ship
- type of ship and/or size of ship
- time working in the company
- situation for instance, vacations, training course, particular permission, waiting to be on board the ship, etc...

Social security, taxes and other depends also on the particular legislation of the country.

The department must keep records of all payments given to the workers up to date, after sending the relevant information to all the concerned departments. The reason of doing that is not only for accounting purposes, but also analysis taxes, certifications, proofs of retained taxes from personnel wages, etc...

This department is also in charge of the office personal, industrial relations, communications between employees and managers, good social environment within the company, all
the administrative services and controls.
CHAPTER IV

COMMERCIAL AND TRAFFIC
DEPARTMENT

As I have written before the main functions of this department are concentrated in:
- Establishing of freight rates (Inwards freight and Outward freight)
- Chartering
- Ship schedules, employment, allocation of space
- Traffic analyses, forecasts, statistics, Marketing Analyses and others
- Responsibility for routeing documents, port facilities, loading/discharging, customs, stevedores contracts, etc...

Some of these activities are share with the agent. This department must be in total contact with the agent because their duties and responsibilities are related. In some ports, the agent is the commercial department of the company. But where the company has its head office, these duties must be shared between the agent and the commercial department. It depends also on how wide is the scope of the agent and on how much has been delegated to the agent.

1. FREIGHT RATES:

1.1. SYSTEMS TO ESTABLISH FREIGHT RATES:

A general principle of freight rates has been to char
ge what the market can bear.

A shipping company must cover its expenses if not for each voyage, then at least over a period of time. The expenses must be covered either by income from services alone or by service income and subsidies. The second one is not the case of this company because government does not give any subsidy to the company.

Freight rates are usually based on one of the following systems:
- Ad Valorem System
- Weight / Volume System
- Unit System

The "ad valorem" system is based on the philosophy that the carrier may charge according to what the goods can bear or pay. The system leads to a wide range of rates, entailing a comprehensive "price lists" or "tariff book".

It is impracticable to have a specific rate for every single commodity. The normal solution is therefore, to classify goods in a number of groups. Such a classification, however, must be subject to constant supervision or revision in order to accommodate the needs of the market and to allow listing of new items. Within each group freight rates vary according to the quantity and distances shipped.

In the ad valorem system valuable commodities are rated above the actual transport costs. Goods of low value on the other hand, may be carried below the actual
Thus, these commodities are being subsidized by the valuable cargo.

In principle, the Weight / Volume system is based on charging the actual transport costs regardless of the value of cargo. The system is simple as it may only consist of one or a limited number of groups. The rate will only depend on the actual quantity and transport distance.

From a cost point of view, a rate based on weight and volume is the only logical solution. The shipper must pay for either load or space which will employ the capacity of the carrier.

On some modern cargo vessels, deck space may be the limiting factor, in such cases it will be logical to charge according to square metres occupied.

The unit system is a particular case of weight volume system adopted to the carriage of unit loads. The principle is to charge per unit carried (either pallet, container, etc...) regardless of the quantity of cargo carried by the unit.

The ad valorem system dominates international liner operations as well as a number of domestic shipping services throughout the world. When domestic shipping is operated under favourable competitive conditions, ad valorem rates may make it possible to operate a profitable service even if the ships are utilized well below capacity. The ad valorem system also makes it possible to subsidize transport if so desired. However the system does not promote transport efficiency
The Weight / Volume system seems to be the only applicable system where various modes of transport compete with each other. Compared with the rates of the ad valorem system, high priced commodities are transported at lower cost. On the other hand, it will be more expensive to ship low priced cargo.

It is important to remember that the actual level of rates will depend on the degree of utilization of the capacity offered.

A freight rate system should in principle reflect the cost structure of the service. Thus, a rate will consist of "fixed" and variable components, resulting in a ton mile cost which will decrease with transport distance. In coastal shipping operations it may be desirable to include costs such as handling, terminal operations, etc., in the freight rate system. This will simplify the cost control on behalf of the shippers.

1.2. REBATES:

Rebates can be considered in order to promote transport in special competitive situations or development. When carriage of large consignments regularly inflicts lower costs per ton on the carrier than small consignments, a special rebate may be offered in order to attract large consignment. Rebates can be based on giving a certain reduction in the actual rates, or offers to the shippers based on the marginal costs involved in carrying this particular cargo.
2. CHARTERING:

Rates in non-scheduled operations will be of the same basic principle as in international operations. The ships may be chartered on trip, time or bareboat. Normally these deals are arranged through brokers.

2.1. Brokers:

A shipbroker is normally a specialist in one particular trade or field. Normally the broker will represent either the owners or the charterers. On some occasions a broker may be the sole intermediary between the owners and the charterers.

His main aim is to bring the two parties together in order to conclude a fixture. He will not receive any payment for his efforts unless the fixture is successfully conducted. He will then receive a commission which is normally a percentage of the freight. This commission is paid by the owners.

2.2. Types of Chartering:

Voyage Chartering: The vessel is chartered to carry out a single voyage from one or more load port(s) to one or more discharge port(s) agreed in advance. The owner pays all the running expenses, e.g. crew, bunkers, port expenses, etc. with the possible exception of loading and discharging costs. The charterers pay the freight or a fixed amount for the voyage to the owner.

Time Chartering: The vessel is chartered for a certain period of time at a fixed rate per ton deadweight per month or for a lump sum per month or a fixed amount per day.
The charterers pay hire and voyage related expenses such as bunkers, port charges, loading / discharge costs, etc.
The owners pay crew, capital costs, insurance, maintenance, lubricating oil, victualling, etc...

Bareboat or Demise Charter: The charterers hire the vessel and must provide their own crew. The vessel may become charterer's property after the expiry of the charter period.

Basically the owners pay capital costs and the charterers must pay all other expenses.

3. SCHEDULING:

When preparing the schedule for a coastal service, the following factors should be taken into account:
- the general characteristics of the area to be served
- the traffic structure
- the traffic and location of the different ports of call
- competition of some other operators and other modes of transport
- special requirements regarding arrival and departure times, coordination with other services, frequency, etc...

The characteristics and size of the service area will depend on the operating license, traditional patterns, etc...

Traffic forecasts are necessary in order to decide on expansions or reductions in the service.

The present and expected traffic structure should be taken into account when planning a service. Seasonal variations and directional imbalance may cause differences in demand depen—
ding on the time of the year as well direction of transport. However, the importance of regularity should be stressed.

In principal the time of calls at a given port should be the same each week. Many shippers will argue that reliability and regularity are the most important transport requirements.

In many cases the operator will have to decide whether to maintain calls at certain ports or to introduce new ports into the service.

Generally speaking the income from freight to or from that particular part should be compared with the direct costs involved in calling. These costs are related to:
- Extra steaming distance i.e. bunker costs
- Extra time spent steaming or in the port (i.e. day costs provided the extratime could otherwise have been used on profitable activities)
- Loading and discharging costs in cases where these are covered by the shipping company
- Port dues and charges
- If the call requires the introduction of more ships into the service, this should be taken into account as well

If the increase in income is larger than the extra costs, it is worth while to call at this particular port.

Due to special social conditions, competition from other operators or special conditions, it may be necessary to call even if this represents a direct loss to the company.

The following factors should be taken into account when preparing the actual scheduling:
- It may be desirable to call at the main ports at specific days and time of day due to the working conditions in the particular port.
- Coordination with other services may be important
- Special requirements of shippers may have to be taken into account, particularly with regard to frequency
- Safety margin in order to cope with delays due to bad weather, loading and discharging etc..., must be incorporated in to the schedule. The magnitude of these margins should be based on the general conditions, and experiences from previous calls at the various ports. Seasonal variations in traffic may call for variations in schedule over the different parts of the year.
- The competition from other modes or operators.

With improved punctuality and regular arrival and departure times, it is possible for the shippers to plan their activities with some degree of certainty. This will for example make it possible to reduce the necessary inventory for enterprises in the regions. The exact value of this may be difficult to assess without detailed knowledge of the activity. Delays in delivery of vital equipment, spare parts, etc...cause extra costs. Lack of coordination of schedules have much the same effect as poor as punctuality.

4. MARKETING :

The promotion of a ship owner's business involves basic elements:
1. Advertisement of the service
2. Pricing policy with regard to freight tariffs
3. Publicity, embracing press releases and general relations with the press, and
4. Direct selling of the company's services by agents or by salesmen negotiating contracts.

The marketing policy pursued by any shipowner has a big influence on the overall annual results of the company. Accordingly, an annual marketing plan should be adopted, the object of such a plan is to identify the products that the shipping company wishes to convey and to win the maximum market share consistent with adequate profitability.

The details of the marketing plan will depend upon the type of ship operator and the trade in which he is engaged, but the general features will be as follows:

a. Traffic forecast and analysis. This could be made by commodity type, port of origin or destination, cargo classification, etc...

b. Brief description of the ports, ships and schedules involved in the service

c. Details of significant changes in the service since the previous year or planned in the future

d. Pricing policy

e. Advantages of the service over its competitors, thereby helping salesmen and agents to persuade clients to use the route. There should also be given prominence in advertising and other forms of promotion
f. Advertising campaign and market research before advertising is launched to determine potential market and factors that cause shippers to use the service.

g. Personnel responsible for executing the plan should be allocated realizable revenue targets, incentives may be offered in the form of annual rewards for outstanding results.

Market research can be used to ascertain market shares and other aspects of the business. But relatively simple surveys may be carried out to discover any changes, development, etc. of the market. The way to do such surveys could be:

a. by questionnaire to the clients

b. by desk research or extracting statistics and another information from government reports, publications of chambers of commerce and the like.

c. by direct personal interview to individual customers.

5. RESPONSIBILITY FOR ROUTING DOCUMENTS, PORT FACILITIES, LOADING / DISCHARGING, COLLECTION AND DELIVERY PROCEDURES:

Normally the customers are delivering or picking up their cargo in the port themselves. In many cases shippers tend to deliver their cargo for shipment rather late. That is immediately before departure of the ships. This will cause problems as it may upset the loading plan, causing delayed departure for the ship or making the use of overtime necessary.

This can normally be overcome by introducing a clausuring time for the delivery cargo. This should be related to a given number of hours before departure time. However, the clausuring time may vary according to the local conditions, size of ship,
normal traffic and complexity of the services, frequency, etc...

The more complex service and the longer traffic, the earlier the closing time.

In some cases the closing time may be only a few hours. This particularly applies for services with relatively high frequency. For other services however, the closing time may be as much as twenty four hours or more before the estimated time of departure.

Collection of cargo is a problem as many customers tend to let the cargo remain in the port for a considerable length of time. This may be due to several reasons. In some cases many customers find it convenient to use the sheds as a private warehouse, in others it may be only due to local habits.

If this situation is allowed to develop, the result will be chaotic conditions in the shed and storage areas. This again will lead to congestion at the terminal which again causes delays both for the ships to be loaded and discharged, as well as slow delivery and collection of cargo i.e. vicious circle.

Some shipping companies may find it advisable to start their own collection and delivery service. The terminal office is being advised by phone on cargo to be picked up. The office prepares a collection plan, and arranges for the pick-up.

On the other hand, incoming cargo may be delivered to the customers by the terminal operator as soon as possible, or af
ter due notice has been given. In such cases it is possible -
to clear the sheds and storage areas for cargo within as —
short period of time.

Normally it is possible to charge the customers for the —
costs of the collection and delivery service. Experience has —
shown that many customers are favourable to such arrangements
provided they are presented in a satisfactory manner.

5.1. ADEQUATE AND RELEVANT INFORMATION TO SHIPPERS:

Lack of information to shippers can cause problems —
for the operation of shipping services. Examples of such pro-
blems are related to inadequate marking of cargo, late delive-
ry before shipment, inadequate packaging of cargo, etc...

The information provided can be divided into two —
groups:
- General information applicable to all types of coastal ship-
  ping
- Specific information related to the individual services or
  companies

The main purpose of the first kind of information to
avoid problems connected with cargo being lost or damaged. —
Examples of such information are:
- Marking: Adequate marking is necessary for the cargo to —
  reach the destination. Thus clear marking is important. Many
  shippers mark the cargo in such a way that it may be washed —
  off by rain, be torn off during shipment or handling.

In addition, the marking may not contain the necessa-
ry information to ensure safe transport of the cargo.
Packaging: Information is required regarding packaging requirements for the different types of cargo. General hints on shipment of different types of cargo.

Specific information should be connected to aspects directly related to the individual service or operator. Such information may be:
- Time tables and freight tables
- Closing time for delivery of cargo to specific departures
- Opening hours for collection and delivery cargo at terminal
- Information regarding collection and delivery services
- Limitation to size of individual consignments due to handling capacity and size of holds and hatches
- Special advantages, for example freight reductions for unit loads

Other aspects related to the cargo in port and responsibility of traffic department are:
- Documentation should be properly checked
- Ensure that correct fare is being paid. Experiences in some operations have shown that the actual weight or volume of consignments is above the figure given in the documents. Thus the freight paid has been too low.
- Adequate handling facilities should be provided for loading and discharging of the lorries

Storage: Some of the principles of the storage are given as follow:
- Long storage time should be avoided
- Cargo to be shipped should be stowed near the point of loa—
ding, and discharged cargo near the place of delivery
- Open air storage is suitable for a number of commodities -
such as steel, machinery, heavy lifts, etc...
- Delivery service will tend to reduce storage time
- Observe that certain cargoes should be kept separate, exam-
ples: coffee and fruit, chemicals and food, cargo with strong
smell and food.
- Cargo should be protected against pilferage
- When cargo is being landed or received for shipment, check
that packaging is in good conditions. In case of damage on
landed cargo the claim department should be informed inmedia-
tely.

6. CARGO HANDLING OPERATIONS:

In developing countries there is likely to be a number of
problems which will lower the productivity expected in cargo
handling operations.

There may be related to:
- Lack of equipment
- Poor maintenance causing break downs
- Organization in the ports
- Lack of skilled personnel
- Conditions on the terminal

The regular coastal services may not always have reserved
shed space, making planning of loading and discharging diffi-
cult. However, in small ports this should not present a se-
rious problem as conditions in these ports should be suffi -
ciently to be able to carry out the operations satisfactorily. Conditions at the terminal on the other hand, may often be such that handling will be slowed down due to poor surface cramped conditions, etc...

Lack of skills may be particularly evident in cases where there is a great turnover of workers.

7. STEVEDORES:

A large number of the calls made by coastal vessels will normally be at private wharfs or small local ports. Such is the case of this company, and the operations will be adjusted to local conditions.

Stevedores and port equipment can either be provided by — the port authority, by separate pools or, by each shipping — company. In the last case, the commercial department of the company jointly with the agency, are in charge of all related to stevedores contacts and contacts, arrangements, conditions, etc...

8. COSTS CONTROL:

In the function of cost control, the purpose is to point out the basic principles rather than solutions of general economic problems.

The cost components of a coastal shipping operations are: related to coastal shipping service can be divide into:

Daily costs of the ship:
- Insurance
- Maintenance
- Lubrication oil
- Crew including wages, social security, etc...

Capital costs of the ship

Voyage costs:
- bunkers
- Port dues and charges

Direct costs:
- Loading and Discharging costs
- Wharfage
- Commissions
- Acquisition and maintenance of pallets or container, etc..

Company costs:
- Administration
- Sales, Marketing
- Technical department

The cost structure may not basically differ significantly from other shipping operations. However, pilotage, light —
dues, etc., will normally not be charged in coastal operati—
ons. Port dues and charges may also be fixed amounts per year
In principle, the income should cover the costs involved in
the running of a service.

9. SALES EFFORTS AND SETTLEMENT OF CLAIMS:

Sales efforts are necessary to secure cargo for the ship—
ing services. However the importance of this is often over —
looked. The operator can also obtain valuable information —
for planning purposes for example in connection with expansion schemes and the design of new vessels. It is important—both to supply and receive information from the customers.

The sales and public relations efforts can be carried out in two basic ways:
- General customer contact
- Transport advisory service

The general contact with customers is connected with the supply of information regarding availability of transport, freight rates and fares, schedules, special agreements and conditions, etc...

In many cases sea transport should be the obvious choice for many transport users, but they choose other solutions as they lack relevant information regarding sea transport.

The idea of transport advisory service is to carry out studies of the transport requirements of potential customers.

The purpose of the studies which normally should be carried out in depth, is to be able to give advice on the most efficient transport solutions for the individual transport users.

Claims:

Efficient settlement of claims is important for a good-operator-customer relationship. It is important to try to keep the level of claims as low as possible.

Damage to the cargo can be due to:
- Inexperienced cargo handling personnel
- Poor packaging, palletization, etc...
- Inadequate cargo handling methos

Improvement in cargo handling methods is a natural development of the shipping service. However, introduction of modern handling methods require skilled personnel. Thus the training aspect is very important.

In order to avoid claims it is important to supply the transport users with relevant information regarding packaging and marking requirements. When damage to the cargo occurs, a quick and just settlement of the claims is important. In this connection a uniform policy is important. Impressions of preferential treatment should be avoided.

A reasonable degree of flexibility is desirable, although there is no reason to accept any claim.

Experience has shown that claims are reduced when unitization is introduced, provided adequate handling equipment is available. Unitization also reduces pilferage.

10. UNITIZED CARGO:

Unitized cargo could be:

- Presling
- Palletized
- Containers
- Roll on - Roll off units
- Other types

Specialized ships for unitized cargo will require considerable investments not only in the ships themselves, but also in cargo handling equipment and units (pallets, crates and -
containers). In addition the utilization of the cubic capacity of the holds will be lower than for break bulk cargo, even with specially designed ships, for pallet carriers a practical utilization of 60% can be considered realistic.

Unitized cargo can be handled by either:

Conventional handling equipment: - cranes
- derricks

Mechanical handling equipment: - forklift trucks
- tractors and trailers

 Whereas handling by conventional equipment can be performed at any type of port, mechanical handling equipment have specific requirements regarding load carrying capacity of the upon etc...

Unitization of cargo will improve the efficiency of even conventional coastal shipping. However, experience indicates that real savings often require that the entire operation is being unitized.

Pallets are probably the most suitable and flexible type of unit for coastal cargo operations.

A pallet load will normally vary between 0.5 - 2 tons depending on the size of the pallet and the type of the cargo.

The efficiency of pallet operations will largely depend on the organization ashore and the utilization of the capacity of each individual pallet. For efficient pallet operations where the handling of cargo is carried out by forklift trucks it will be possible to handle 60 - 80 pallets per gang hour. However, the production may easily drop to 20 - 30 pallets --
with unsatisfactory condition ashore.

11. COMPETITION AND COOPERATION:

From other modes of transport coastal services faces competition from road, rail and other shipping operations as well as services.

The shippers will after select a mode for their transport requirements based on:

- Costs
- Punctuality
- Flexibility
- Frequency
- Safety and Claims
- Packaging requirements
- Availability

Non-scheduled shipping operations may provide a strong competition for coastal services.

The main purposes to cooperate between the operators who are giving the service, is:

- Limitation of harmful competition
- Provide better service for the shippers
- Improved utilization of the equipment
- Improved competitive position towards other modes of transport.

Cooperation can be based on common planning of schedules, sales efforts etc...

In such a case the operator will still act as an independent units.
Pools are much closer form of cooperation. In practice the different companies will operate as one unit. The ships belonging to the different companies are being used in the service most suitable for each particular ship. The main problem with pools is often to agree on how to divide costs and income between the different companies. Another problem to be decided upon is the number of ships to be operated in the pool by each operator. The total number of vessels in the pool will normally be less than those required in the original uncoordinated set-up.

The "pool office" which is being started by mutual agreement, is responsible for the preparation of schedules, scheduling of ships, freight rate tables, freight agreements with shippers, contact with the agents, providing pallets or containers as well as having direct contact with shippers. The different shipping companies will be responsible for the running of the ships. All income is divided by the pool office among the different operators after the common expenses are being covered according to an agreement.
CHAPTER V

FINANCE AND ACCOUNTING

DEPARTMENT

1. FINANCIAL MANAGEMENT:

1.1. OBJECTIVES:

    Financial management should be considered as an integral part of the general management system and is closely related to the overall objectives of a shipping company.

    This objectives are:
    - To render on economic and efficent sea transportacion service to their customers
    - To administer resources put at their disposal by interested parties in a way which makes the most economical and profitable use of them

    The ability to survive, expand, and accumulate profits for ploughing back into the business depends upon the proficiency with which management can adopt to and live with constantly changing conditions.

    Some of the main service functions and objectives of this department are as follows:
    - To ensure that sufficient financial resources are available on the most favourable terms in order to implement the investment and activity plans of the company.
    - To develop and operate systems of recording, processing and reporting financial and related information reflecting change
and movements in financial performances and resources.

- To investigate and analyze causes of results achieved and to recommend necessary corrective actions in order to reach financial objectives

- To ensure that the accounts and accounting procedures comply with the legal requirements of the authorities. These requirements are made to ensure that the generally accepted ways of conducting a business are followed.

Although the overall implementation of the financial management may be taken care of by accountants and other specialists in the field, it should be emphasized that the achievement of financial objectives is not the concern of the financial (or controllers) department alone. And because everybody (managers and employees) make contributions to the overall financial results, everyone should also be familiar with the basic aspects of financial management.

1.2. NEEDS OF FINANCIAL INFORMATION:

The financial information is a basic requirement for

- determining dividend policies to shareholders
- obtaining external funds from banks and investors
- tax assessments and payments to local and national authorities
- planning and controlling the activities of the company
- acquiring credits
- contract for acquisition of physical assets from suppliers
- keeping employees and the general public informed

The financial system must therefore be set up with a
view to comply all these requirements. The type of overall information that these parties are interested in may be generally described as follows:

- the overall economic results, as published in the Profit & Loss account and in the balance sheet
- the results from individual major investment projects
- the results of plans, programmes and projects as brought forward by the management
- the trends as to developments in profits, loss, equity capital, liquidity, etc..
- business prospects
- hidden reserves and bad risks among the debtors

2. MANAGEMENT ACCOUNTANCY:

Originally the task of the accounts was to present a brief survey of the position of the company to the management in order to facilitate the running and control of company affairs, and to give a brief yearly report of its financial status.

Now, there is a growing need for the accounts department to produce monthly and quarterly figures in order to keep a close watch on the real economic developments.

Now the concept of management accountancy involves:

- financial accounting
- cost accounting

2.1. MAIN ACTIVITIES:

The functions of that, involves the following main ac...
tivities:
- forecasting
- planning and budgeting
- recording
- controlling
- reporting

2.2. NEEDS OF ACCOUNTANCY INFORMATION:

The accounts are very useful for:

a. Shareholders: Since they have invested their money in the firm and since they are the real owners of the company, they should naturally know more about it. And these accounts are the only basis provided for the owners, to analyse the activities and the economic position of their firm.

b. Employees: In tariff negotiations in which one can meet with a conflict of interests, all information should be based on a realistic foundation.

c. Creditors: Banks and other lending institutions as well as regular suppliers to the firm, offering their services on credit, will increasingly often demand to see the company's annual accounts.

d. Public Authorities: The authorities have numerous rules governing the presentation of the accounts about what the accounts are to contain, how the balance sheet should be presented, etc. The income-tax returns and the reports needed from the accountants in connection with the taxation of income capital and property are for example based on these considerations.
e. The General Public: Informative reports contribute favourably to the creation of a positive image of shipping that may be of major importance as regards the terms the political authorities may offer to the shipping company or industry.

2.3. FINANCIAL ACCOUNTING:

This type of accounting is concerned with the basic recording, summarizing and presentation of the economic transactions of a firm. The balance sheet, which shows the firm's assets and liabilities, and the profit and loss statement, which shows the income and expenses of the firm summarises the main financial results as achieved from the business activities.

2.4. COST ACCOUNTING:

This function is concerned with the measurement of economic performance, applied to the various sectors of the business and the resources employed.

Cost are either use of economic resources, or reduction in the values of assets described in the balance sheet.

Costs may be broken down into two elements:
- a quantity or unit of the resources used
- the price of that resources quantity

Allocation of costs to different centres will help the management to discover strengths and weaknesses in performance and to place responsibility for costs as closely as possible to the sources from where the cost arose. Example: ship, office, warehouse, etc...

Costs may be categorized in indirect and directs and
also as variable or fixed.

The variable costs will fluctuate in proportion to performance or activity.

3. FORECASTING:

To reduce the scope of uncertainties and the risks involved people in shipping companies are studying prospects and analyzing what would happen to the company on varying sets of assumption. The starting point is an analysis of the environment:

- trade prospects
- economic prospects
- technological development
- political aspects
- changes in the social system, etc...

To set up future objectives must always start with an assessment of the present situation:

- Which assets do we have today?
- What is the equity and liquidity position?
- How are assets financed?
- What is our current rate of return on assets?
- What is our cash flow?
- What is the performance of the ships?

Knowing the situation now, and having selected certain aims, plans must be worked out as to how to achieve these aims.

4. BUDGETS:
The setting up of a budget is the financial stage in the planning process.

A budget may be called a resource plan quantified in terms of financial values in order to attain specified economic results.

It is a preliminary calculation of how the actual profit & Loss account and the balance sheet will appear at the end of the planning period, provided given assumptions and conditions remain the same.

The budget may be broken down into several sub-budgets:
- the operations budget
- the cash or liquidity budget
- the capital budget

4.1. OPERATING BUDGET:
Lays down the planned required for day-to-day operations over a normal cycle of operations, usually on year.

The key elements are:
Freight Income
less : Commissions
    
Voyage expenses
    Operational overheads
    
Income on t/c basis
less : Running expenses

    Ship Administrative costs
    
Operating Profits
less : Depreciation
Pofits after depreciation
less: Financial charges

Net Profits

4.2. CASH BUDGET (LIQUIDITY):

Should be prepared on a monthly basis. It will include:

Cash Inflows i.e.: Cash balance, income from operations, loans, income from sale of assets, etc...

Cash Outflow: Administration expenses, capital outlays, operating expenses, tax payments, repayment of loans and interests

4.3. CAPITAL BUDGET:

Sets out the planned requirements and movements in the fixed capital, working capital and forms of finance that will be needed in the planned period.

It may include:

- Assets:

  Investment in new ships
  Sale of old ships
  Depreciation of sailing ships

- Liabilities:

  New loans
  Repayment of old loans

5. ORGANIZATION OF THE ACCOUNTS:

A Shipping account should be set up and presented in a logical and orderly manner. Thus it should present the readers
with a clear and correct picture of the results from the operations.

5.1. PROFIT AND LOSS ACCOUNTS:

In the Profit and loss accounts we find the following items:
- Operating income and Operating expenses
- Financial income and Financial expenses
- Other (not ordinary) income and expenses
- Disposition from the yearly results

5.2. BALANCE SHEET:

In the balance of sheet we have:
- Assets:
  - Current or short term assets
  - Financial investments
  - Stores and Materials
  - Ships
  - Other fixed assets
- Liabilities:
  - Current or short term liabilities
  - Long term liabilities
  - Dispositions
  - Funds with contingent tax liabilities
  - Shareholder’s equity and reserves

6. FINANCIAL ANALYSIS AND SOURCES:

When analysing and evaluating a firm’s standing and final results, it is usual to concentrate on three main elements:
6.1. PROFITABILITY:

a. Return on own capital employed: is defined as net result to own capital. It sets the net result as a percentage of the invested equity capital. The own capital employed assets of share capital, the general and free reserves together with the provisions which have latent tax liabilities.

b. Actual Value: In addition to the capital we may also take into consideration "hidden reserves". Such reserves can, as mentioned occur an extraordinary writting down of a ship or other assets so that its book value is lower than its "actual value" or market value. In our account we may count as hidden reserves the amounts written down with provisions for sales profits and reinvestments.

c. Profitability of total Capital: This may be defined:

\[
\frac{\text{Net Result + Paid interest}}{\text{Total Capital}} = \text{Total Capital Profitability ratio}
\]

As total capital we may count equity capital, and loaned capital equal to liabilities and loans. We may not however, take into considerations the liabilities which are related to newbuilding contracts.

6.2. SOLVENCY:

The ability of a company to stand depressions with low operating results and potential losses, is of great importance.

The solvency of a company can be considered from various view points, viz. from the point of loaned capital. In
other words as a creditor view of the equity capital employed in other words from the shareholder's point of view.

From a creditor's point of view, it is of vital interest to know the equity capital employed and its share of the total capital. This ratio will tell how much of the total capital the company can afford to lose before the loaned capital is in danger. The basic ratio is the equity capital ratio.

6.3. LIQUIDITY:

By liquidity we mean the ability of a company to pay its obligations as they mature.

Considering the assets, we talk about liquid contra non-liquid resources. Bank notes and cash are the most liquid assets.

The calculating of liquidity:
The current ratio is defined by dividing:

\[
\frac{\text{Current assets}}{\text{Current Liabilities}} = \text{This ratio must be always above 1}
\]

7. FINANCING:

Before a shipowner can contract or buy a ship, he must arrange for appropriate financing. By financing, we understand the acquisition and/or supply of capital needed for a certain investment, whether it comes from the company's own resources or from outside. We may say in general that the following requirements are basic:

- Personal and/or business record
- Capital structure and general coverage of the borrower
- Revenue, profit and general performance
- The general trends as to earning capacity in the shipping industry
- The size of the firm
- The liquidity of the firm
- Planning procedures and internal organization

Sources and Applications of funds:
- Inter-governmental financial institutions
- Governmental financial institutions
- Shipyards
- Hire purchase and leasing companies
- Mortgages
- Time charter loans
- Bank Credits
- Personal Loans
- Self-Financing

To choose among all these alternatives is not easy. The major factors to be taken into considerations are:
- The length of the loan period
- The rate of interest
- Grace periods
- Foreign exchange implications
- Flexibility as to the debt payments
- Security requirements
- Requirements as to deposits, etc...
- Requirements as to main decisions regarding internal policies
- Requirements as to customer relationship (bank borrower).

Generally we may say that: the longer the loan period, the lower the rate of interest, the longer of period of grace, the more flexible the repayments, and the fewer requirements of the lender, the more favourable the loan will be.

10. AUDITING:

The investigation of the accounts is conducted by auditor who must be other people than those who prepared the accounts

10.1 TYPES OF AUDITING:

Internal Auditing: means of managerial control to determine whether the requirements of the accounting system are effectively met.

Public Auditing: tests and examinations to determine whether the management statements fairly present the firm's financial position and operating results. (statutory auditing).

Certified public Accountant (C. P. A.): holds a valid permit to practice under the laws of his country (has passed a comprehensive exam in accounting, commercial law, etc...), offers service to the public for a fee and adheres to a strict code of professional conduct.
CHAPTER VI
THE ROLE OF THE AGENT

1. DEFINITION:

The task of the port agent is to represent the owner and for the owner's account assist the vessel in order that she will have the best possible dispatch.

The port agent should in all respects assist the master in his contacts with all local authorities, including harbour authorities, and he also has to procure provisions and other necessities, communicate order and messages to and from the owners, etc... It is important that the owner employs a reliable and energetic agent.

In general terms, the duties and functions an Agent is responsible to render can be grouped under:

a. To ship and to her cargo
b. Marketing and sales

For the first mentioned group the Agent, in more or less chronological order, should:

1. Arrange for contracts for the pilotage, towage, stevedoring, tally and for ancillary services.
2. Advise the shippers and the receivers of vessel's position
3. Undertake the calling down the outward cargo
4. Undertake the preparing and issuing the freight documents
5. Arrange for or attend the Custom clearances and all other services appertaining to vessel's entering, staying and leaving the port
6. Arrange for the discharging, loading and checking of the cargo
7. Arrange for the delivery of the inward cargo
8. Attend to the transhipment of the inward/outward cargo
9. Collect the inward and outward freights
11. Undertake the checking of vouchers and render the disbursement account
12. Attend to the general averages, claims and additional formalities connected thereon

As for the marketing of his Principal's and his services as well as for the sales work, the Agent is expected to report, provide for, render attendance and carry out:

1. Cargo bookings effected and space allotments required
2. Tariff amendments of ports or other charges
3. Freight and charter contracts
4. Conference matters
5. Announce sailing schedules
6. Quote freight rates, tariffs and amendments
7. Canvas and book cargo
8. Maintain contact with shippers, Consignees, Exporters, Forwarding Agents, Port and other Authorities and trade Organizations.

The Agent must be conscious of the very source of his being and aim towards better serving his shipping Principals and their ships with integrity and by being fully aware of his intermediary role and his responsibilities.

The work of the Agent is divided in three parts:
1. Before the call: before the vessel arrives

2. During the call: when the vessel is in the port

3. After the call: When the vessel leaves the port

1.2. BEFORE THE CALL:

- Receive instructions
- Evaluate the instructions, the information
- Inform shippers / receivers
- Give preliminary notice
- Order for quay, pilots, tugs, etc...
- Order for repair, spare parts, bunkers, laundry, water, --
  stores, telephone on board
- Contact stevedor
- Order for dockers
- Receive the cargo
- Check that all docs are available
- Go through cargo plan
- Make up proforma disbursement account: giving all the ex-
  penses to the owners
- Ask for advance of money

1.2. DURING THE CALL:

- Give notice of readiness according to the contract
- Inform of the position and prospects to the owner
- Coordinate loading / discharging
- Arrange engagement / discharge, doctor, dentist, post, mo-
  ney, etc...
- Tally
- Make up documents, manifests, etc...
- Make up the stowage plan.
- Statements of facts (daily reports)
- Order for pilots
- Give time for departure and ETA
- Bunkers (report) How many tons on board

1.3. AFTER THE CALL:
- Collect the freights
- Make up time-sheet
- Report overlanded / shortlanded cargo
- Report remaining cargo
- Delivery of cargo
- Deal with damaged / missing cargo
- Deal with seamen left behind
- Make up disbursement account

2. AGENT AS SOURCE OF INFORMATION:

The agent as source of information for the owner should give information:
- On future trade developments and business potentials in the area
- On Governmental policies and assessment of their possible influence on present and future business

3. AGENT AS REPRESENTATIVE:

The Agent is a bridge relationship between shippers' representatives, consignees, port and customs authorities and approach problems in a harmoniously balanced manner in order —
not to jeopardize own position
- Proper correspondence with the Principal and correct approach in solving mutual problems during annual Principal / Agent meetings
- Knowledge of relevant charter parties and their interpretation
- Knowledge of how to act when appointed as Owner's protecting Agent
- Knowledge on how to draw on-hire, off-hire survey reports
- General knowledge of Owner's ship operational costs
CONCLUSIONS AND RECOMMENDATIONS

An inefficient coastal shipping will create considerable problems and limit economic activity in many developing countries. In order to develop a region, an efficient transport system is absolutely necessary.

In addition to inconvenience a poor transport system results in extra costs for the shippers and finally for the consumers of the region.

It should be mentioned that improvements rarely will have the desired effect unless certain organizational improvements are carried out at the same time. In this connection the interrelation between the technical equipment and the organizational set up should be stressed.

Improvements of coastal shipping services are of two basic types:

1. Technical improvements that is safety, new cargo handling methods, and equipment, preventive maintenance and/or improvements of presents and new ships and equipment, improvement of port and terminals, etc...

2. Improvements which are related to work procedures, scheduling pools, freight rate system, computers, etc...

Safety is an essential requirement in transport operations. In some countries the standard of the vessel do not satisfy even the most limited safety requirements. For example, wooden vessels may represent a potential fire hazard. The mag
nitude of this hazard may be difficult to evaluate, particularly in connection with cost benefit analysis. However, acceptable safety standard may be one of the primary reasons for the introduction of improvement in coastal shipping.

Technical improvement requires investment and will be related to:

- Improvement of the present ships
- Introduccion of new ships, either new building or second-hand
- Introduccion of new cargo handling equipment and methods
- Improvements of terminals

When considering technical improvements the funds available are the limiting factor. Thus, it is important to obtain the maximum benefit from the investment. The solutions should be taken the general technical standard of the country into account. Too sophisticated technical solutions should be avoided, unless the technical know-how required for operation and maintenance is available.

Preventive maintenance is an absolute must for all vessels.

All maintenance work carried out on board, the condition of the vessel and the equipment should be recorded and a system for follow up to be introduced. In addition, maintenance and repair have to be carried out when problems arise.

The intentions are to have, simple records to give a better view of what is done and what has to be done during a certain period. Each month the engineer/motorman should hand
over a report to the owner with data for various machinery, —
fuel consumption and lubricating oil, etc...

He should prepare a list of all the various normal main-
tenance carried out during the month, together with special i
regularities such as stops, break-downs, etc...

After having received the report from the vessel, the —
technical staff should record all information regarding main-
tenance, overhaul and repairs in the follow up file. A similar
file should be kept on board. It is very important that the —
files both on board and ashore always are kept au to date.

This "follow up" system should be used as a basis for —
the planning of preventive maintenance, finally the importan-
ce of keeping ships clean and tidy is stressed.

Motivation of the crew is also a very important point re-
lated with the maintenance of the ship.

Other relevant point to take into account is the visit —
to shipyards. The invitation to tender for shipyard must be —
done by the inspector and should include as much information
as possible related not only to the main work but also to the
additional works, for instance : use and/or make of spare —
parts, localizations, cleanness, etc... trying not only to re-
duce the time in yard but also the costs.

Improvements in coastal shipping services also aim at :
- Improve punctuality, regular arrival and departure times
- Obtain more suitable sheds
- Introduce more suitable vessels
- Less claims
- Shorter total transport time and
- Improved for lower freight rates and total shipments costs for several commodities.

Traditionally freight rates in shipping do not cover all costs connected with the transport of cargo. Handling charges commissions, etc... will often be added to the final bill. In coastal shipping operations, however, there are no reasons why the freight rate should not be an all inclusive rate.

Any costs connected with handling, delivery, etc... should be settled directly between the shipping company and the local agent, stevedoring company, etc...Thus, the customer will only be presented with one figure such as in air transport.

The freight rate system should include incentives for the type of commodities favourable for carriage by sea, for example, for large consignments and unit loads.

Larger consignments mean reduced costs in cargo handling, improved utilization of the capacity of the vessel, shorter turnaround time in ports as well as reduced paperwork.

One of the most important elements in any shipping company is also the information, to ensure that such information passes through the proper channels, cooperation of the whole organization is required.

One way of getting that is establish a set of meetings on various levels in the organization. On managerial level -- the traditional meeting of the board of directors is well known. However, in shipping many companies have chosen as
Board members, shipowners and directors who are employed on a full time basis in the company, and in order to coordinate their activities, regular meetings are scheduled more often than monthly, say on a weekly basis.

As the Board shall not be involved in the day-to-day operations, but concentrate on the main policy questions, this schedule seems to be suitable.

On the next lower level, however, the daily operation requires daily meetings. The managing director and the managers of the main departments may well find it difficult to run the company efficiently unless they have an opportunity to exchange news and take decisions together with their colleagues without delays.

Similarly, there is a need for regular meetings within the main departments, daily or with longer intervals depending on the nature of the work.

Long range planning and budget procedures require a routine which can be followed each year and it is quite customary to set up time-tables fixing time-limits for action to be taken and dates for meetings where progress should be evaluated and decisions taken.

Projects of all kinds and new operational problems that arise will quite naturally be handled individually. If they concern only one department, no organizational problem arises as the department in question will be instructed to prepare the case. There are, however, few major projects within shipping which concern only one department. To ensure proper divi
vocation of tasks, with its purposes clearly defined and with representatives from all departments concerned, should be established.

I have tried to show that in shipping extensive cooperation within an organization is a necessity. This cooperation can not be seen from the organization chart alone and it is essential to know that a prosperous shipping company must adopt its organization in order to solve the actual problems in the best possible way.

Theoretically, it has been said that the shipping organization should be well arranged, and the fields of authority - clearly defined.

One objection to this is that too high a degree of specialization might cause each department to feel a responsibility limited only to certain matters without seeing them in relation to the total operation of the company. There is a risk in having departments promote their particular interests and policies which may be contrary to the company interests.

Another danger related to over-specialization in the individual's field of responsibility, and in the use of detailed job instructions is that the organization may become too rigid, with too low degree of flexibility.

About training requirements it may be necessary to evaluate the level of proficiency crew and shore personnel. Training facilities and programmes should also be reviewed and compared with actual training requirements. Alternative training schemes and procedures for recruitment should be consi-
An economic evaluation should be carried out for necessary investments in ships, equipment, etc., operational and total costs of various new systems. The present costs should be compared with alternatives new systems. In it may also be necessary to carry out simple cost benefit analysis as well as assessments of future income from the improved service.

The last but not the least important aspect in a shipping company is the use of the computers.

In the years to come the increasing use of computers in the shipping industry will contribute towards greater efficiency and profitability by facilitating the optimum use of available resources.

In shipping industry computers can be used in the following fields among others:
- Stores control. Stores in stock, their value, consumption.
- Wages bills. Staff salaries included, natural insurance contributions, overtime, tax deductions, etc...
- For ships to regulate their optimum speed, and fuel consumption and computer navigation aids
- Preparations of bills. Ensuring prompt despatch, automatically remaining late payers and identifying potential bad debts
- Formulation of sailing programmes schedules
- Documentation
- Ship maintenance, survey programmes, provides data on costs and future requirements, etc....
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