

# Tanker Chartering

Examiners' Report, November 2022

## General Comments

Overall, the examination results display a pass rate in this subject of approx 56%. There is evidence that several papers were poorly planned with crossed out work, lacking content and failing to answer the question. There was a general decline in the quality of map submissions with ports incorrectly located, missing annotation of countries, main canals, seas and oceans. With some exceptions the quality of ship drawings has generally improved however students still forget to annotate dimensions.

### **1. Answer ALL parts of the question.**

**A Charterer has circulated market requirements to brokers as follows:**

**Quote**

**135,000 mt crude oil Nigeria/UKC 10/20 Sept**

**130,000 mt crude oil WAF/USAC early Sept**

**Unquote**

**Select ONE suitable tanker to offer for these employments.**

- a) Draw a profile and cross section of your chosen tanker type;**
- b) Label the main details and dimensions on your drawings;**
- c) Draw and fully annotate the selected route with port, country of load and discharge on the world map provided to support your answer;**
- d) Using these routes indicate what weather conditions could be anticipated for a vessel loading in September.**

This was a popular four-part question which attracted some poorly prepared answers with in part a) poor diagrams, with dimensions in the text rather than on the diagram as stated in part b) of the question. Some students failed to read the question and produced an additional plan drawing which was not requested, did not attract additional marks and wasted valuable time. Some map submissions had insufficient annotation lacking oceans, seas, straits, capes, ports and countries. Some students failed to put port names on the world map which lost valuable marks. Other submissions provided destinations in the US Gulf (USG) and not the United States Atlantic Coast (USAC) as requested.

**2. Answer BOTH parts of the question.**

**A shipbroker is drawing up a laytime clause for a DPP fixture loading a cargo of fuel oil. The fixture will incorporate laytime using specific load and discharge rates.**

**Discuss the following:**

- a) Explain the principle of reversible laytime, its benefits and how this may be applied to the fixture.**
- b) Describe TEN periods that are usually excepted from laytime**

A popular question. In part a) some students provided an explanation of reversible laytime but failed to adequately describe the benefit of this form of laytime. They failed to mention that this form of laytime offers the charterer possible use of time saved at either loading or discharge. Owners benefit from this as extra laytime that may be available can, market permitting. Gain an improved freight rate where there is less chance of demurrage being incurred. In part b) of the answer some students failed to provide all ten excluded periods from laytime missing important excepted periods including the notice period, usually 6 hours after tendering notice of readiness and time used pumping ballast.

**3. Answer ALL parts of the question.**

**Charterers have circulated in the market FOUR cargoes loading Central America to USG/USNH/USWC and UK/Cont.**

- a) Annotate FOUR ports of loading and FOUR ports of discharge on the world map provided and describe the route each tanker will use.**
- b) Add to the map proposed ports for taking bunkers.**
- c) Add a description of likely weather that may be experienced in June**

Several answers provided insufficient ports of loading and discharge, ports that were in the wrong location, US States described as ports, and country names which were missing or illegible. Some answers failed to include oceans, seas or main canals. Better answers included proposed bunkering ports for each specific route. In part c) some answers failed to describe the influence of hurricanes in the Gulf of Mexico with storms extending along the US North Atlantic coast and North Atlantic Ocean.

**4. Answer BOTH parts of the question.**

**a) Describe the tanker fixing process and what is meant by “lifting subjects”.**

**b) Provide an example of a fixture recap for a Handysize tanker with terms of your choice.**

This two-part question was answered reasonably well. Some answers failed to identify owner’s choice for selecting a broker, on a first come first served basis, preferred with specialist knowledge or from a panel of brokers. Some answers failed to describe the process of placing a vessel on subjects either subject stem, subject shippers or receiver’s approval and subject management or Board of Directors approval. Answers often failed to mention ships are fixed with on subjects on charterers side for a specific period during which they will usually lift subjects after which the fixture will is confirmed.

**5. Answer BOTH parts of the question.**

**A charterer has received an offer for an LR1 tanker in ballast from Rotterdam and ready Houston to load 45,000 metric tons CPP for discharge Fawley, UK**

**a) Prepare a voyage estimate for this employment using data of your choice. (Show all calculations).**

**b) Calculate the cost per metric ton of cargo and comment on the reasons why the Charterer may decide to enter the market and fix.**

This question was reasonably well answered however some students grossly underestimated the distance from Rotterdam to Houston of 6184 nautical miles which severely impacted on the gross voyage surplus per day. A number of answers confused time charter equivalent (TCE) with gross voyage surplus (GVS). GVS must be adjusted for anticipated commission to arrive at a TCE. In part b) some answers attempted a breakeven rate which did not form part of this question. Better answers note that the cost per metric ton for charterers is the proposed freight rate. Several answers failed to note the size of an LR1 tanker of 70,000 metric tons loading a 45,000-metric ton CPP part cargo. Some answers failed to mention the market trend of increased freight levels, or the reasons why a Charterers may enter the market. This may include that they anticipated a further increase in freight rates or a commitment to deliver cargo on specific dates.

**6. Answer BOTH parts of the question.**

**Consider a scenario where the shipping market is on the point of being impacted by an economic depression.**

**Your Principal has asked you to prepare the following report in which you must explain the**

**effects of this issue:**

**a) A monthly market report covering Aframax voyage and time charter employment;**

**b) As part of the report describe the potential trend in the Aframax market over the next six months**

This question was reasonably well answered. Some answers however failed to mention second hand, or demolition markets and the influence of current trade on these sectors. Some answers failed to mention the general downturn in global GDP and the effect of a potential recession with falling demand and oversupply of ships.

**7. Answer BOTH parts of the question.**

**A vessel has been fixed on a 15-year bareboat employment with a leading oil company.**

**a) Describe the process of vetting a charterer under this form of fixture**

**b) Provide an example of a bareboat fixture recap of your choice.**

This question attracted some poor answers where students failed to identify the need to obtain owners Board of Directors approval for a long-term employment. Answers needed to include the charterer having sufficient financial standing to pay hire and a large portfolio of contracts to ensure employment for the ship. Several candidates did not read the question clearly and confused the vetting of a charterer to mean the SIRE system and vessel inspection rather than the financial security aspects.

Part b) of the question attracted some poor answers that failed to mention an option to purchase the ship at the end of the fixture. The recap would also include owner's, charterer's and broker's full name and domicile.

**8. Answer ALL parts of the question.**

**An Aframax has been fixed on time charter using a Shelltime 4 charter party.**

**a) Draft a Period, Trading Limits and Safe Places clause for the above fixture;**

**b) Discuss the main terms used in this clause;**

**c) Discuss the relevance of this clause in the current market.**

This question produced some poorly prepared answers that failed to read or understand the question in part a) to draft a Period, Trading Limits and Safe Places clause which included the option available to charterers to add time lost due to off hire to the charter period.

Some answers also did not adequately describe the main terms used. Part c) of the question attracted some reasonable answers which included trading areas excluded from the fixture due to war like operations.