

Examiner's Report

November 2022

DRY CARGO CHARTERING

General Comments

This report, on the fundamental subject for a dry cargo professional, is not to advise on the overall performance of the candidates but to assist those that have sat this paper and those that are about to sit, with some guidance as to what the examiners are seeking in the answers. Reading the past reports of the examiners in DCC and some other subjects mean that the candidate should gain some familiarity with the exam and what is required to pass.

The basic requirement of every candidate is to

- **Read and answer the question as given** and to ensure **all** parts, if any, are answered.
- Answer **five** questions only, (any more will not be marked).
- Know the difference between a report and email correspondence, i.e., a message.
Know how to clearly draw a **profile** and a **cross section** of any cargo vessel that carries dry bulk cargo, (not in containers), label all relevant parts and state the dimensions for this particular vessel, not a range of specifications.
- Have a reasonable knowledge of Maritime Geography and be able to explain trade routes for the subject. Shipping is global business and knowledge of the world is paramount.
- The map should always show relevant ports, (in the correct location), routes and geographical features on that route such as ocean, seas, countries, capes, canals, straits and special areas affected by weather, currents or hazards.

The candidates should show their knowledge and understanding of the subject in an ordered structured answer, as requested and not just give a bullet list of relevant points.

Question 1

Explain the steps of the chartering negotiation process, from the original firm offer to the conclusion of the fixture and list the main items you expect to find in an original Voyage firm offer.

Although this was a popular question, candidates did not describe the negotiation process in sufficient detail and the voyage offers drafted were basic in their scope. The great majority of answers did not refer to the elimination process of accept/except. Most answers had not mentioned one or more of 'RECAP', 'negotiation of C/P details', 'C/P'.

The chartering negotiation stages that the examiners were looking for are

- 1) Original firm offer from the Shipowner, even though it is customary nowadays to start negotiations with Charterers' terms. Time limits for reply must be clearly stated.
- 2) Counter offers basis accept/except – explanation of the elimination process through series of counter offers until all terms are agreed (whatever is not included in the counter is considered agreed). Time limits for reply must be clearly stated.
- 3) Agreement of all terms, preparation of RECAP of main terms which shall be confirmed in writing by both parties
- 4) Negotiation of C/P details with the same process as the one used for main terms
- 5) Agreement of all terms, preparation of RECAP of terms agreed which shall be confirmed in writing by both parties. Clear time limit agreed on lifting of S/S/R
- 6) Lifting of STEM and Shippers/Receivers approval (S/S/R) within time limit agreed.
- 7) Draw C/P to be signed by both parties

The main elements of the voyage offer should include:

Account (name of charterers), reply by (place and time), vessel's description (name, type, IMO no, DWT/CC, flag, year of built, Class, P&I Club, No+Dims of Ho/Ha, Gr/Bl Capa, LOA/Breath/Depth mld/Draught, gears), cargo details (description, qty, tolerance), laycan, load/discharge ports (incl sp/sb, AAAA), loading/discharging rates+terms (SHEX/SHINC–UU/EIU etc), freight (rate terms ie FIOS/FIOT, when/where/how paid), laytime terms (NOR, commencement, SHEX/SHINC etc), Demurrage/despatch, C/P form, commissions, subjects

Question 2

Answer all parts of the question.

You have received the following details of a UN Food Aid cargo consignment which is suitable for your owner's fleet.

70,000 MTS 10% MOLCHOPT Bulk Wheat STW abt 46 cubic feet (1.34 cubic m)

Constantza/1sp East Africa. shore gear both ends.

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- a) **Using the graph paper provided draw a fully labelled profile and cross-sectional diagram of the vessel you would propose to offer for this consignment.**
- b) **State the particulars of the vessel you have drawn**
- c) **Describe the route in question and include all hazards that may be encountered.**

This was a topical question containing maritime geography, knowledge of vessels, geo-politics and a named loading port with a specific discharge area. It was disturbing to note that a major black sea port was not known and many candidates who knew where Constantza was, drew a route from Eastern Mediterranean through the straits of Gibraltar and down West Africa to South Africa. The route was poorly described even when the few that knew where the port was failed to mention the war and how the Black Sea is affected.

With a stowage factor given and a quantity of cargo it was necessary to find the cubic capacity required and then describe the suitable vessel.

It is repeated year after year that when candidates are required to draw a profile and a cross section, drawing a plan view is a waste of valuable time. Too many of the papers included a plan view.

The examiners required a well annotated profile and a well annotated cross section of a Panamax gearless vessel and even allowed a Neo-Panamax vessel. The correct number of holds is 7/8, with outline of holds drawn which are full width and have hoppers and wing tanks. The DCC examiners also only wish to know in detail the cargo elements of the vessel. Steering flat, rudder, signal mast etc. are not required. Details of the holds, hatches, cargo gear, internal tanks should all be drawn realistically. Neatness is a key element.

The key technical details/dimensions must be given and candidates should state more details than that shown in the course books. E.g. GT/NT, cubic capacity, bunkers consumed loaded and in ballast with speed, engine size in KW.

The route is through the Black Sea, mention of the conflict close by and the effects of warzone, insurance, floating mines; through the Bosphorus Channel, Sea of Marmara, Dardanelles into the Aegean Sea and then Mediterranean through the Suez Canal. Down the East coast of Africa through the pirate area around the horn of Africa to a port e.g. Mozambique.

Question 3

This question is in two parts. Answer both parts.

(A) In the context of a voyage charter party what is meant by the term “Cancelling date” and what are the consequences of not meeting it?

(B) A vessel has been fixed on a unamended Gencon 1994 charterparty with a cancelling date of 5 November. On 28th October it becomes clear that due to a delay at the previous discharge port, the vessel can only arrive on 7th November. As Owner’s broker you send a message to the charterer at 10:00GMT on 28th October informing of the delay but by 10:GMT on 31 October you have received no reply and the vessel is due to depart from the discharge port and proceed to the loading port. What advice do you give to the owner/master?

Overall, there was an adequate understanding of the cancelling data and the consequences emanating from it.

Part B of the question was not answered as well in most cases with only a minority of candidates referencing the Gencon 1994 Charterparty. Many candidates answered part b in a general overview without taking into account the Cancelling clause of

Gencon 1994 (specifically mentioned in the question). Too many were not clear at all as to what 'cancelling' means and what are the possible scenarios in case of missing cancelling i.e. obtain extension or being cancelled. Therefore, what was required was:

(A) A cancelling date is the agreed date (and time) before which a ship must be an arrived vessel at the loading port or other place named in the charter party. If the ship arrives after this date, the charterer is at liberty to reject the vessel and the charter party is void.

(B) Under the Gencon 1994 c/p (Clause 9b) if, despite the exercise of all due diligence, it becomes clear that the vessel will not be ready to load by the cancelling date the owners must inform the charter and ask whether the charterers will exercise their option of cancelling the charterparty or agree to a new cancelling date. The option must be declared by the charterer within 48 running hours after the receipt of the owner's notice. If the charterers do not declare their option to cancel the charterparty or agree a new cancelling date, then the charterparty will be amended such that the 7th day after the new readiness date stated by the owner will become the new cancelling date.

Given the facts mentioned above it will be in order for the vessel to proceed to the loading port with a new cancelling date of 14th November.

Question 4

State four terms commonly used in chartering that define the responsibilities of different parties to cover expenses connected with cargo handling. Show the standard abbreviation, the expanded definition and provide an explanation of its meaning.

This is one of the easiest questions ever presented on a DCC paper for a candidate who understands the question.

Some candidates were clever enough and they played around with similar terms repeating the explanations ie FIOS, FILO, LIFO, LILO. However, many candidates mixed up cargo handling terms with Laytime terms (SHINC, SHEX etc). A very worrying number of answers discussed Incoterms (FOB, FAS, CFR, CIF) instead of cargo handling terms

Question 5

Starting with the load ports and loading requirements, describe two major trade routes all the way to the discharge ports, including ports, route plan, weather, hazards of carriage and stowage requirements for two of the following cargoes:

Coal, iron ore, Timber, Steel

Use the world map provided to support your answer

The examiners requirements for this question were for the candidates to include two trade route descriptions per commodity (not just lines on map or a list of countries/ports but, for example, loading South Africa crossing Indian Ocean to discharge India/China), with at least one comment each on stowage, carriage, hazards and cargo characteristics. The question was clear: 'describe two major trade routes' per commodity.

Most candidates selected coal and iron ore. Some had an understanding of the commodities, describing at least one hazard of carrying the cargo. However, not all candidates selected two routes and while main loading ports were often mentioned discharge ones were not. Many of them just named the routes without describing them. Weather and sailing conditions on the trades identified were often inadequately described. The use of the maps varied enormously with countries often left off and ports located in the wrong position. For the route it was quite usual to omit the arrows indicating the direction

Question 6

Explain the different financial responsibilities of the Charterer under Voyage and Time Charter respectively. Draft a suitable clause for one of the responsibilities explained (one for Voyage and one for T/C).

This was a question that a knowledgeable DCC candidate should have found relatively easy to answer. For such a fundamental subject the pass rate was highly disappointing with poor answers to all aspects of the question. There was a distinct lack of knowledge on financial responsibilities associated with voyage and time charter contracts and clauses (if presented), were poorly drafted. Very few explained any other of Charterer's financial responsibilities apart from Freight and Hire. There were some answers discussing Operational costs, Capital costs etc. Surprisingly there were a few answers stating that maintenance/crew costs are Charterer's responsibility under a T/C.

The explanation of the different financial responsibilities are:

Voyage Charter

- Freight including comments as to how calculated (per mt/cbm/lumpsum), how and when payable
- Deadfreight – charterers obligation to provide quantity of cargo agreed for in the contract including any margin on qty in owner's option, otherwise liable to pay deadfreight
- Demurrage – liquidated damages, pre-agreed in the contract as US \$/day or prorata, due to the owners if loading/discharging delayed beyond the laytime agreed in the C/P
- If freight agreed on FIO basis charterers responsible to pay for loading/discharging expenses of the ship

Time Charter

- Hire – how charged (US \$ / Day or any part of a day pro rata), usually payable every 15 or 30 days in advance

- Bunkers – charterers responsible to pay for the bunkers consumed during the period of the charter.
- Port dues/Canals/pilotage/towage
- Fumigations of cargoes carried/lashing/securing dunnage material/intermediate holds cleaning, communications, C/V/E etc...
- Ballast bonus (if any)

Question 7

Answer both parts of the question

a) Using a vessel and cargo of your choice draft a firm offer on behalf of the Owners for one Time Charter Trip.

b) Explain:

- **Ballast bonus**
- **BOD/BOR**

In regards to the offer, some candidates made a TC offer instead of a TCT one or drafted a mixture of the two. Some gave a voyage offer with a hire rate instead of a freight rate. In general, those that did give a TCT offer, it was adequately drafted although in several cases the ship description was poor and the speed and consumption was not specified, which is very important in a TCT offer.

For part B, the majority of the answers were not of the expected standards. Main omissions were: no mention to Surveys in BOD/BOR, no reference as to how prices are calculated for BOD/BOR, no mention when BB is payable.

The expected requirements are:

a) The offer should include all main terms of a T/C offer

- Time for reply
- Account
- Vessel's description including speed and consumption
- Delivery/Redelivery port/range
- Lay/Can
- Intended cargo
- Duration
- Hire rate / how and when payable
- BOD/BOR and prices
- C/P
- Addcom / brokerage

b) Explanation of Ballast Bonus

- Positioning bonus negotiated by vessel's Owners to cover time and expenses such as bunkers/canals and tolls incurred between departure from the vessel's original position to the delivery point of the new employment; usually agreed as a lumpsum payment due together with the first hire payment, usually free of commissions. Sometimes negotiated for redelivery of the vessel, if the charterers intend to redeliver

the vessel in a poor position, although not very common. Usually depends on the freight market and the negotiating strength of each party.

Explanation of BOD/BOR

- Bunker on Delivery/Bunker on Redelivery – usually the Charterer will take over and pay for the bunkers remaining on board on delivery at prices agreed in advance in the Charter Party. Payment is usually made with the first hire payment. On redelivery the Charterers will usually estimate the remaining quantity of bunkers on board and will deduct their respective value from the final hire payment or penultimate hire payment in case of large amount of bunker remaining on board.

Surveys are usually carried out both on delivery and redelivery to establish the exact quantities of bunkers remaining on board, and any adjustments are done upon receipt of the survey reports.

Question 8

The trade in coal is set to fall as greener energy initiatives take hold around the world. As an owner of Panamax vessels heavily reliant on transporting coal, write a business plan that outlines the current market conditions and then your strategy to deal with this situation.

A question of this nature has always presented candidates with a challenge and has generally been poorly answered and this was no exception. Hardly any candidate grasped the reasons for the longer-term decline in the coal trades and its significance to the panamax class of vessel. Answers were not styled as **a business report** and few options were elaborated on as to how to deal with the situation.

There was a lack of detail such as no description of the coal trade, no reasons given for the decline, no reference to the size of the coal trade and no mention to the significance to the Panamax sector.

In most of the answers the strategy was poor or not attempted.

The examiners required:

A business report that is quite flexible but covers the following elements:

Market; Description and background of the coal trade and reason why coal shipments are declining in certain trades. Indication of the size of coal trades and the commodity's significance to the Panamax sector. Likely impact on the Panamax fleet sector when it comes to future supply and freight rates.

Strategy

Withdraw from the market. Scrap and/or sell tonnage in this sector. Convert ships and look at new business opportunities.

Look at tonnage pooling, operating alliances, even merger & acquisitions.

Target other cargoes, such as biomass and grain and shift to different trade lanes.