

INSTITUTE OF CHARTERED SHIPBROKERS

APRIL 2009 EXAMINATIONS

WEDNESDAY 22 APRIL – MORNING

DRY CARGO CHARTERING

Time allowed – Three hours

Answer any FIVE questions – All questions carry equal marks

1. The Charterer of your vessel has requested you (as owner) sign clean bills of lading for the loaded cargo. However the mate's receipts are claused.
 - a) Explain the term "claused"
 - b) Explain why the charterer should make the request
 - c) Explain how you (as owner) can protect yourself under these circumstances

2. Choose TWO of the following commodities and discuss their nature, characteristics, common trade routes, main loading and discharge ports, hazards and stowage requirements. Using map provided where appropriate.
 - Coal
 - Grain
 - Fertilisers
 - Timber

3. In the context of Laytime explain the following terms and draft appropriate clauses for their use in a charter party:
 - Commencement
 - Interruptions
 - Demurrage

4. Under a timecharter what are:
 - (a) the most common types of dispute which arise between owners and timecharters?
 - (b) the risks for an owner fixing a vessel to an insubstantial timecharterer and what can be done to alleviate those risks?

5. Using a vessel of your choice draft a comprehensive firm offer for a time charter of the vessel. In addition explain **THREE** of the following expressions:
 - Ballast Bonus
 - Redelivery DOP
 - Subjects
 - Fully fixed
 - Bareboat charter
6. Explain the principal differences and similarities between a Handysize bulkcarrier and a VLOC in relation to the ship design and typical cargo, using diagrams as appropriate.
7. Describe the way in which time and voyage charter party clauses determine the financial responsibilities of the parties, using specific examples.
8. The Baltic Dry Index reached its highest recorded level of 11,793 points in May 2008 but by December it had fallen to 663 points. Your principal now needs to know what prospects there are for his newbuildings due to be delivered in June 2009. Write a report explaining the dry bulk market crash of third quarter 2008 and your view on the prospects for the market over the period June 2009 to June 2010.

THE INSTITUTE OF CHARTERED SHIPBROKERS

DRY CARGO CHARTERING (DCC)

2009

EXAMINER'S REPORT

OVERALL COMMENTS

There are still too many candidates sitting DCC with little or no basic knowledge of the subject. This was another straightforward paper that demanded a reasonable level of basic knowledge such as the ability to draft an offer, to describe a dry bulk commodity, to draw a bulk carrier, to understand laytime and to explain the main functions of a bill of lading – these are basic concepts in DCC.

However candidates did have to understand them and be able to apply their knowledge. It is not enough to simply regurgitate text.

Those that did well not only applied their knowledge, but used “real-life” scenarios in their explanations. They should be applauded for their achievements.

QUESTION 1 –CLAUSED BILLS OF LADING

In order to pass this question candidates had to explain correctly what is meant by “claused” and why the charterer might make the request. The most sensible way of doing this was to explain the functions of the bill of lading – namely receipt and evidence of contract. It was not enough to simply state the functions, candidates had to show how they explained a and b. It was also necessary to make reference to the fact that agreeing would be fraud. Additional marks were then achieved with a discussion of the problems in agreeing – e.g. non-enforceability of LOI and suggestions as to how owners would protect themselves. It was not a well done question overall, in spite of being one of the most popular ones. Sadly there was too much reliance on LOI with little understanding of the fraud aspect.

QUESTION 2 – TRADE ROUTES

The minimum knowledge required to pass this question consisted of at least 4 trade routes and two characteristics, hazards and stowage requirements – for EACH commodity. The question also very clearly says DISCUSS these. It does not say list all the countries you can think of that might have something to do with these commodities. It is not enough to list a series of countries or ports when you have been asked to describe a route. And as candidates were given maps this year, at the very least they should have had countries annotated. The best papers put the ports in as well. This should be an easy 20 marks on a basic part of the DCC syllabus, unfortunately too many candidates wrote less than half a page and did little more than draw some lines on the map. Another popular question, poorly done.

QUESTION 3 – LAYTIME

The basic minimum for this question was a correct definition for each term plus at least one attempt at a clause. There was a lot of “everything I know about laytime”, there were a lot of candidates that forgot to mention shinc/shex and sadly there were a number who did not even attempt to draft even a basic clause. The best papers had well written clauses with sensible examples. That said it was a popular question and the majority who attempted it did pass it.

QUESTION 4 – TIMECHARTER PROBLEMS

In order to pass this question it was necessary to explain at least 3 good reasons for dispute, for example: laytime related, cargo condition, use of ships gear, extent of charter period, delivery position, agreed voyage areas, cancellation clauses etc . There should also have been a sensible suggestion of the risks and at least one idea for alleviating that risk. Good answers expanded the list of disputes and risks and also discussed the role of arbitration. It was not a popular question but was relatively well done by those who attempted it.

QUESTION 5 – TIMECHARTER FIRM OFFER

This should have been a gift of a question as it is a basic skill to draft a firm offer. In order to pass candidates had to remember the main details including such items as: Reply time, for account of, vessel’s description, delivery, laydays cancelling, duration, redelivery, hire rate and commission

The second part of the question asked for three of the listed terms to be explained

It was very disappointing to see the number of candidates who forgot to put a rate in! There were also a number who confused time charter with voyage charter. However it was a popular question and about half of those attempting it passed.

QUESTION 6 – SHIP TYPES

A profile or midship section of both ships was required to pass to explain the main differences between the vessels, plus a description of a typical cargo. The best answers produced well annotated diagrams of both profile and midships and showed extended trading patterns for the vessels. As with every year, some candidates forgot which paper they were sitting and seemed to think VLOC stood for Oil carrier. This was not a popular question but was in the main well answered.

QUESTION 7 – FINANCIAL RESPONSIBILITIES

The main point about this question was it was about financial responsibilities not freight payment terms. In order to pass candidates had to detail the main differences in responsibilities between the two forms of charter party eg management, crewing, insurance versus port dues and bunkers and the costs associated with each. An attempt at showing at least one relevant c/p clause to highlight these responsibilities eg bunker clause / owners to provide clause was also necessary to answer the “specific examples” part of the question.

The best answers also gave a logical explanation of all the main differences plus a discussion of the different operational procedures. It was not a popular question and few passed it.

QUESTION 8 – MARKET REPORT

Too many candidates see this type of question as an easy option but many of those who attempted it have clearly never written a report like this before and have no idea what must go into it. Very few showed any understanding of what these vessels must have originally cost and would therefore need to earn in the future. Few made any attempt to show a logical argument of supply versus demand to produce a forecast. The idea of the question was that candidates could demonstrate their understanding of market forces to give sensible advice.

The basics necessary to pass included;

A brief description of the main events of 2008 and how they related to shipping. (eg Lack of available credit and liquidity).

A brief description of the current situation including tonnage availability and cargo demand situation.

A discussion of the Demand forecast ie where is it to come from?

A discussion of Supply forecast ie are there many ships on order?

A view on future prospects for the vessels in line with the previous arguments.

The best answers showed good logic and understanding of market forces and were laid out as a report rather than just an essay.

Given how important it is for students to understand how the market works and what the current conditions are, it was a very poorly answered question.