

Examiners' Report

November 2016

Tanker Chartering

General Comments

Overall the results seem to display a greater effort, preparation and determination to attain a pass in this subject with approximately 74% achieving a pass mark. There is still evidence however that some answers were poorly planned, lacked content and failed to answer the question. There was a general improvement in the quality of map submissions yet many lacked an understanding of how they should be completed. Ship drawings also improved however they were still often too small and containing incorrect information.

Question 1

Draft a firm offer for a clean voyage charter fixture from Middle East Gulf to the Far East. Identify likely issues on the voyage which owners may include.

This was a popular two part question reasonably well answered but with some details of a firm offer missing or quoting the wrong cargo type. Better answers included a reply date and time, the parties to whom the message was addressed, vessel description, cargo, charter party details and subjects on owners side that enabled a counter to be achieved. Part B of the question required an understanding of the planned route and likely issues that may arise. The Middle East Gulf is in a war zone therefore better answers would detail excluded ports, the Chevron war risk clause, a BIMCO voyage charter party piracy clause covering deviation and additional security and a Conoco weather clause.

Question 2

Answer ALL parts of the question.

- a) Draw a profile and cross section of a New Panamax tanker including the main details and dimensions of the vessel.**
- b) What were the maximum dimensions for transit for the Panama Canal previously and how have they changed?**
- c) Describe TWO trade routes which may develop as a result of the Panama Canal expansion. Use the world map provided to support your answer.**
- d) On your selected routes, describe any weather conditions that could be anticipated for a vessel loading in September.**

A popular question but disappointing that a number of diagrams that had the wrong vessel dimensions. There appeared to be confusion with respect to dimensions of a New Panamax Tanker. Maps generally lacked detail with respect to geographical features and weather conditions. Better answers described a New Panamax Tanker having a deadweight of over 160,000 dwt. They identified the old Panama Canal restriction of 32.31 metres and a new restriction of 49 metres increasing the range of cargoes from NCSA, Caribs, and the US Gulf to WCSA/WCNA and the Far East.

Question 3

Answer ALL parts of the question.

A shipowner plans to enter the clean market with a 40,000 dwt newbuilding. As a competitive broker what advice would you offer the owner with regard to:

- a) Employment opportunities**
- b) Current freight levels**
- c) Market trends in the next six months.**

This is a three part answer covering a 40,000 dwt newbuilding in the clean trade; the answer seeks understanding of current employment opportunities and market trends in the next six months. This question produced some good answers however there was a distinct lack of information on employment opportunities and current freight levels. Answers must encompass where the vessel may be employed Trans-Atlantic to US. Gulf or U.S.A.C, North Coast South America to East Coast South America, NW Europe to Med/East Africa/West Africa and MEG to Far east/UK/Cont. Part B required a review of current market freight levels and influences of the S&P market, demolition and newbuilding markets with an opinion on trend with reasons. Following on from a general decline in freight earnings there has been a reduction in newbuilding orders in 2016 which has reduced the impact of an oversupply of ship. Unfortunately some answers drifted into a discussion of the dry cargo market which lost valuable marks.

Question 4

Answer BOTH parts of the question.

A dispute has arisen on a recent fixture covering laytime used whilst discharging Saudi crude oil at a single buoy mooring (SBM). The vessel was fixed under WSHTC and discharge exceeded agreed laytime.

- a) What documentation should be reviewed to identify the problems encountered?**
- b) If the dispute cannot be resolved through commercial compromise, what other methods would you advise are available and why?**

This was a two part answer covering dispute on a fixture covering laytime used whilst discharging Saudi crude oil at a single buoy mooring (SBM.) Part (a) required a review of documentation needed to identify the problems encountered and part (b) required an explanation of methods of dispute resolution available and why. Part (a) of the question attracted some well-formed responses however part (b) was less well answered where often answers missed why these methods of dispute resolution were used. Part (a) of the answer required a reference to charter party terms, pumping log, statement of facts, protest letters and records of ambient temperature, temperature and viscosity of the product, length and diameter of shore lines and hoses – if under seabed, overland, buried or insulated and height of shore tanks above the sea bed. Part (b) required a review of mediation, arbitration and high court proceedings with benefits and failings of each.

Question 5

Answer ALL parts of the question.

A new competitive shipbroking company has been established.

- a) Describe the key features that a shipbroker must display to create market confidence and attract support.
- b) Describe the supporting features to reinforce the company's standing.
- c) Describe activities which may damage the company's reputation.

This was a popular three part question covering a new competitive shipbroker. This question was reasonably well answered, most of the comments centred around part (a) and the key features that a broker must display to create market confidence and gain support with experienced staff, availability 24/7, due diligence, technical knowledge of cargoes, even-handedness and trustworthiness. Many of the features in part (b) that re-inforce the companies standing and (c) activities that damage the company's reputation, were missed. Better answers outlined in (b) comprehensive database of fixtures/sales, pro-actively averting disputes, some knowledge of FFAs, not knowingly having two or more ships on subjects for one cargo, membership/support of a shipping organisation including BIMCO, Institute of Chartered Shipbrokers and Intertanko. Part (c) should include: connive with a principal to justify off-sets, have it be known that the company does not observing the Baltic Ethics Code, failure to pass monies promptly and act as a counterparty in an FFA where the other party is an existing client.

Question 6

Tanker voyage and time charter parties have a number of clauses which generally deal with the same subject but differ in detail. Identify these examples and explain the differences.

This was a less popular question which was reasonably well answered. The question asked for examples of differences between clauses found in time charter parties and those in a voyage charter party that deal with the same subject and differ in detail. Very often students were discussing similarities in clauses particularly in war risk cover. Better answers identified differences in freight and hire, speed, bunkers, port time, port and canal charges, insurance, cargo capacity and daily bunker consumption.

Question 7

Answer ALL parts of the question.

In a tanker 'berth' charter party:

- a) When does laytime commence to count?**
- b) What exclusions apply to laytime at loading and discharging ports?**
- c) Provide an example of an exclusion which is beyond charterer's control.**

This was a popular three part question covering a tanker berth charter party. Part (a) required students to identify when laytime commences to count. This part of the question produced incomplete responses. Better answers identified that the tanker must be an arrived ship, be at the appropriate berth, with laytime beginning after free pratique is granted and after TVEL in US waters. Then after the expiry of 6 hours when time to count upon commencement of loading or discharge whichever first occurs. Students failed to mention that Notice of Readiness must not be tendered prior to commencement of laycan without charterers consent. In addition, depending upon the charter party terms, laytime will not start prior to 0600 on commencement of laycan, unless used, when actual time used to count.

Part (b) required details of exclusions that apply to laytime at loading and discharging ports. Most answers were incomplete but required a detailed list of exclusions. Finally part(c) surprisingly produced some good examples of an exclusion which is beyond charterers control including weather, Act of God and port blockage.

Question 8

Write a report on the dirty tanker market commenting on factors including current rates, trends over the next six to twelve months and the availability of tonnage.

This question asked for a dirty tanker market report commenting on current rates, trends over the next 6 to 12 months and availability of tonnage. Some of the submissions were poorly answered with a lack of information and planning. Opinions were offered with predictions of trend in the next six months however several answers lacked detail about current freight rates, the price of crude oil and market demand. The answer also required an understanding of the political influences, reduction in supply by OPEC forcing crude oil prices up, the impact of oversupply of influx of newbuildings, the resultant reduction in current freight rates, the influence of the second hand market and the demolition market.