

Examiners' Report

November 2016

Dry Cargo Chartering

Question 1

Your owner's vessel was expected to finish loading on 31st March but is running late, through no fault of the ship. The charterers are asking the master to sign the bills of lading anyway and date them 31st March. They are offering you a Letter of Indemnity (LOI). Write to your owner:

- a) explaining why you think charterers are making this request;
- b) giving detailed reasons for your advice for what the master should do and whether the LOI should be accepted (Use the functions of the bill of lading to support your advice);
- c) explaining the possible outcomes for any actions contrary to your advice;
- d) providing a solution to the problem.

The question asks the student to write a message so, in order to pass this question, the answer should firstly be in the form of a message and, secondly, should make reference to the fact that agreeing to the request would be fraud (technical or otherwise).

The question advises the student to use the functions of the bill of lading to support the answer. This means that they should be used in context, not simply listed. The functions of receipt and document of title, in particular, should be used in context to explain why signing predated bills of lading is fraud. There were no marks for simply stating the functions without demonstrating understanding. A sensible suggestion of why the request is made should also have been included to secure a pass.

Additional marks were available for the discussion of the problems of agreeing to the request including: owners being open to claim if not as per "receipt", the effects on insurance, no P&I cover, non-enforceability of letter of indemnity.

Further marks were available for ideas of protection and ways around the request in excess of simply "Don't do it".

Question 2

Answer BOTH parts of the question.

Using the quote below for guidance:

- a) Draft a firm voyage offer for your owner on a vessel of your choice and draw the intended trade route on the world map provided, showing all relevant ports.
- b) Calculate the potential voyage earnings for the vessel if the freight rate is US\$10.00/mt.

Quote: Tubarao/Qingdao 1/15 December 180,000 tonnes iron ore 10% moloo 6 days SHINC AP Show all workings in your calculation, distances may be approximate.

The question gave the quote for the cargo to be used to draft the offer from, it then had to include all the main elements: Reply by, load/discharge ports, cargo tonnes, laycan, laytime terms, demurrage/despatch, brokerage, subjects – but using the terms in the quote.

The trade route from Tubarao to Qingdao, including a sensible ballast leg, had to have the ports clearly

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labelled on the map.

The voyage estimate had to clearly state all necessary items to determine a correct answer. It is not about the maths but the understanding about what is needed to get to the answer - so for example it needed to show a calculation for sea time, ie distance / speed and should have included a ballast leg.

The estimate had to include all the workings necessary to get to an answer in order for the student to get at least 50% of the marks, if no workings are shown then no marks can be given. Far too many students did not calculate time and forgot a ballast leg.

Additional marks were available if the offer had been expanded beyond the basic and the estimate showed all workings. Distinction answers, of which there were a few, had the offer and estimate laid out neatly and in logical order.

Question 3

Answer BOTH parts of the question.

- a) Draw a labelled profile and labelled cross section for a bulk carrier of your choice.**
- b) Describe at least two main trade routes for this vessel, including any weather conditions that may be encountered and any precautions the master should carry out to ensure safe carriage of the cargo.**

Use the world map provided to support your answer.

Drawing a bulk carrier is a fundamental part of the Dry cargo chartering course. Well labelled drawings get good marks irrespective of artistic talent. If the drawings are done in pencil, with a ruler, on the graph paper provided, they are more likely to achieve these marks.

A drawing of profile and cross section of a bulkcarrier with all relevant features labelled and a brief description (dwt/draft/loa/beam/ho/ha) plus a basic description of two trade routes was needed to gain at least 50% of the marks.

A basic description would mean loading at Tubarao, sailing across the Atlantic to discharge in Rotterdam (for example). There were no marks if students only drew the routes on the map or just listed importers and exporters, as the question said "describe".

There were also additional marks

- for the description of these routes beyond load & discharge port eg for including routing and weather.
- for realistic dimensions with large, neat and clear diagrams
- and a well annotated map.

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Question 4

In the context of laytime explain **ALL** the following terms and draft appropriate clauses for their use in a charter party.

- a) Commencement
- b) NOR
- c) Interruptions
- d) Demurrage

The minimum required to gain at least 50% was for the correct definition of all four terms with at least one clause attempted. A clause could be as simple as

“Demurrage to be paid at \$20,000 per day pro rata, HDLS” as long as it was explained correctly.

Additional marks were available for extended explanations, especially in the case of “interruptions”, and clauses drafted for each of the terms.

Question 5

Answer **BOTH** parts of the question. You have a 54,000dwt, 65,900m³ grain/bale Handymax vessel on time charter with three months plus/minus 14 days to run until the end of the charter. The vessel which has a service speed of 14 knots is currently open in Japan and you need to find employment in the spot market until the charter ends and you must redeliver the vessel off Singapore/Japan. The head charter party forbids subletting the vessel on time charter terms.

- a) Describe the suitable voyages that the vessel could make including commodity with expected quantity loaded, load and discharge ports, suitable bunkering points, time for loading and discharging and time at sea and any hazards that might be expected on route or with the carriage of the cargo.
- b) Using the world map provided draw the routes showing also any ballast legs that the vessel may make. For each voyage the cargo should be different and you must also name a suitable charter party form that might be used in each case.

This question was testing students' understanding of both the typical cargoes carried by a Handymax bulkcarrier and also the calculations necessary to determine how that vessel will trade.

The answer had to include not only typical cargoes for a Handymax, but also appropriate charter parties and suitable ports for the vessel of the given size. The time for the voyages needed to be realistic and the cumulative time had to meet the time remaining.

There were extra marks for full descriptions of voyages including weather and navigational conditions, descriptions of any cargo hazards and for a well annotated map.

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Question 6

Your owner has fixed a vessel on a year's time charter. Provide the owner with an analysis of the most common reasons why that vessel might be considered as being off-hire during that period, explaining the consequences to the hire payment.

This question was testing students understanding of what is meant by offhire and the ramifications to the payment of hire when a vessel is placed "off hire".

In order to pass students needed to demonstrate that they understood what was meant by time charter. They then needed to describe the various conditions that occur in the offhire clause of a standard time charter party.

Rewriting the clause or simply listing the events did not gain enough marks to pass. The items needed to be described and have some comment about whether they were frequent.

There were extra marks for the depth of the description and for writing a suitable off hire clause for the scenario.

Question 7

Answer BOTH parts of the question.

a) Draft a typical time charter party clause covering all aspects of bunkers on delivery and redelivery.

b) Using data of your choice, draft a typical first hire payment calculation for a vessel being delivered to charterers

This question was in two parts and both had to be attempted to gain a pass mark. Fifty percent of the marks were given for a basic bunker redelivery clause including amount of fuel with price and place plus a basic hire payment calculation including bunkers rob and balance of time.

There were additional marks for a well written clause and the use of sensible data in the calculation.

Question 8

The opening of the larger Panama Canal has changed the market for Panamax ships. As an owner of Panamax vessels, outline your strategy for dealing with the added risks and competition from this development. Describe in detail the trades and commodities where you see opportunities for this tonnage.

In order to pass, students needed to describe the competition that the owner's Panamax fleet will face and the cargoes most at threat – grain out of US Gulf coast ports to Asia and potentially coal from Norfolk to Asia – and why neo-Panamax ships in these markets will become more significant.

Mention needed to be made of the impact neo-panamax ships will have on the markets served via Panama canal, ports of call, cargoes moved and services structures, ie can the better economies of scale associated with neo-panamax tonnage rather than Panama lead to Brazilian iron ore being routed to north east Asia/China via the Panama Canal. Or possibly Colombian coal to the Far East.

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In terms of future strategies for their panamax tonnage, students needed to discuss; other trading opportunities (markets and commodities), niche/specific customer opportunities, selling fleet and withdrawing from sector/scraping of tonnage.

Additional marks were awarded for a well-written essay, reasoned arguments and the use of the world map to identify the trades, listing countries and ports of call.