

THE INSTITUTE OF CHARTERED SHIPBROKERS

April 2017 Examiner's Report

Dry Cargo Chartering (DCC)

Examiners report for publication

Question 1

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 either a Handymax, Panamax or Tweendecker, 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.

Question 2:

In order to pass students needed to include at least two trade route descriptions per commodity. This meant not just drawing lines on map or listing countries/ports of import and export but actually describing the route. For example, loading coal in Colombia, with a transatlantic crossing to discharge Rotterdam. The map is only to "support" the answer as the main question says "describe" the routes.

They also needed at least one comment each on stowage, carriage, hazards and cargo characteristics in order to receive 50% of the marks available.

Further marks were available for extra comments on hazards and stowage and for discussing weather patterns around routing. There were also marks for annotated maps, not just lines on the outline but correctly identifying at least the countries of load and discharge and preferably the ports.

Question 3:

In order to pass students needed to draw up a neat Statement of Facts (SOF) with all the main terms including: Cargo quantity, load or discharge port, working hours of port, load or discharge rate, laytime terms, NOR tendered, load or discharge start & completion time, signature of Master, Agents and shippers or receivers or person on their behalf.

However the answer did not have to be in a standard format, as long as it had all the main details. It should be noted that a statement of facts is not the same as a time sheet.

The answer should have then gone on to discuss how the notice of readiness (NOR) and SOF are used and make a comment about why they are important in the context of commencement & calculation of laytime.

There were extra marks for extra detail, an explanation of the main terms eg commencement and interruptions and a detailed discussion on NOR.

Question 4:

Answers to this question needed to include comments on the vessel supply and cargo demand situation to pass. They should also have included a discussion of the forecast for cargo demand and vessel supply over the next 12 months and provided a view (or views) on how the future supply/demand balance would affect the market (rates and asset prices).

The answer could just concentrate on one sector (eg Capesize) but the total market for that sector had to be addressed to receive the marks.

Additional marks were available for a discussion on the orderbook and demolition expectations (actual figures were not expected but the order of magnitude had to be correct) and a suggested forecast consistent with the preceding argument.

Extra marks were also available for the extraneous factors affecting the market, for example; BWC implementation, protectionism, China OBOR (etc) and for a well written message with a logical argument and understanding of market forces.

Question 5:

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 function of receipt should have been used in context to explain why signing clean bills for damaged cargo is fraud. There were no marks for simply stating the functions without demonstrating understanding. The explanation of Receipt should have included quantity and description of cargo loaded.

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. Also commenting on the function of document of title in relation to fraud.

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

Question 6

In order to pass students should have explained to their owner the main differences between the two forms of charter. For example the differences related to management and crewing, insurance versus port dues and bunkers and the costs associated with each.

There should have been an attempt to show the relevant charter party clauses that highlight these responsibilities; for example the bunker clause or owners to provide clause.

The answer did not have to be in the form of a message as long as it was clearly a piece of advice being given to another person.

Extra marks were given for a logical explanation of all the main differences with sensible examples for both voyage and time charter and well drafted clauses.

Further marks were available for a discussion on the different operational procedures

Question 7

The question came in three parts and each part had to be attempted at a basic level to pass the question.

- a) The answer should have mentioned that freight payment can be on a per tonne (or other unit) basis or lumpsum but also whether it is FIOST, Liner terms, FILO etc. . During negotiations it is important to fix where and when freight is payable. If on a tonnage basis it should also be determined if freight is payable on loaded or discharged quantity and how quantity is determined eg weighed, draught survey, conveyor scale etc. Also when it is payable. Within X days of completing loading, before breaking bulk, 95% within x days and balance after completion discharge etc.
- b) An explanation of what happens if a stowage factor (SF) is not achieved was expected. For example the ship is expecting to load 12,000 tonnes based on an agreed SF but the SF was wrong and only 10,000 could be loaded. What the bills of lading are to show - Freight Prepaid or Payable at destination. What freight is payable in the event the vessel is lost or deck cargo falls overboard?
- c) Disputes can arise because of the different methods of measuring cargo especially when draught surveys are involved or if payable at destination and cargo has lost mass in transit (shrinkage / expansion).

Extra marks were awarded for in depth explanations of points of contention in disputes.

Question 8

In order to pass, the answer had to show an understanding of the necessity to indicate a source of authority when negotiating a charter, the fact that a broker is legally liable if unauthorised and the requirement to insert “as agents only”.

A pass answer also had to discuss breach with or without negligence.

There were extra marks for discussing the implications of not inserting “as agents only” (possible liability as principal), discussing the associated liability of breach with/out negligence and for producing a logically written essay (as opposed to a list).