



# EXAMINER'S REPORT NOVEMBER 2018

## DRY CARGO CHARTERING

### 1. Answer BOTH parts of the question.

You are working as an in-house broker in a shipowner's office. One of your handy vessels opens Istanbul roads on Friday 23/11/2018. You have seen in the market following cargo which seems suitable for your vessel:

- 25,000 Mts 10% mol chopt bulk wheat 46' abt
- Nikolayev/Hull
- 5000/5000 Mts pwwd sshex eiu
- 28-30/11/2018
- 2.50% ttl comm.

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a) Draft an opening voyage firm offer on behalf of your Principal.

b) Explain the role of the broker in chartering negotiations and explain 'warranty of authority'.

This question provided the student with a quote for a voyage charter and asked for a firm offer to be drafted from it, from the shipowner.

All the main elements of the voyage offer: account, reply by, vessel's description, cargo details, load/discharge ports, laycan, freight, loading / discharging rates+terms, laytime terms, demurrage/despatch, C/P, commissions, subjects needed to be included.

There were additional marks for additional terms such as: taxes/dues, Arbitration, determination of cargo quantity, Bs/l markation, Agents, fumigation

Students had to write the offer on behalf of their principal and therefore should have included terms in favour of Shipowner, such as:

- Quantity Tolerance in Owners' option (change chopt to moloo)
- Improved loading and/or discharging rates (better than 5000/5000 Mts pwwd)
- Improved loading and/or discharging terms (shinc or sshex/shex uu rather than sshex eiu)
- Earlier laycan (vessel opens earlier and distance Istanbul/Nikolayev is only 2 days)

The second part of the question as about the role of the Broker during negotiation and Warranty of authority. Students needed to mention items such as:

- Search for suitable employment of vessel or vessel to carry cargo
- Coordinating negotiations – handling correspondence until conclusion of fixture
- Trouble shooting/consultancy-suggestion on terms
- Draw RECAP and C/P (Chrtrs' broker)

But many of them missed including

- The necessity to indicate source of authority, and that they are legally liable if unauthorised and the requirement to insert “as agents only”.

There were extra marks for discussing the implications of not inserting “as agents only” (possible liability as principal) and the associated liability of breach with/out negligence and third party liability insurance.

## **2. Answer ALL parts of the question.**

**Explain the differences between each of the following:**

**a) reversible and non reversible laytime**

**b) definite and indefinite laytime c) all time saved and working time saved Use examples to support your answer**

The question expected students to accurately define, describe and support with examples various aspects of laytime and working time. Unfortunately, only a few students gave examples in their descriptions which would have got them more marks.

In order to pass students had to have the correct definitions for all three plus a comment on calculation in a) and actual time used in c) with sensible examples for all three.

a) Reversible and non reversible laytime

Needed a comment on separating laytime calculations or adding together, the calculation involved and a comment on all purposes / total days

b) Definite and indefinite laytime

Comment on absolute number of days eg 6 days shinc AP versus FAC/COP/CQD, calculation only possible if definite,

c) All time saved and working time saved

Comment on despatch calculation with all time versus laytime saved. Students needed an example to show the difference, and discuss shex terms and unless used/even if used and the huge difference in calculation between the two.

There were extra marks for a well written essay with example calculations illustrating all answers.

## **3. Select ONE of the following commodities**

**i) Grains**

**Or**

**ii) Coal**

**Answer ALL parts of the questions:**

**a) Describe the trade of the selected commodity and its importance in dry bulk shipping.**

**b) Identify the vessels used for its transportation**

**c) Identify the main ports associated with handling such cargoes, and describe two major trade routes from load to discharge port, including sea passage.**

**d) Discuss the factors which could influence global trading pattern for this trade. Use the map provided, wherever necessary, to support your answer.**

This question is designed to test the students understanding of dry bulk commodities and maritime

geography. There were a number of parts to the question and students needed to refer to at least 3 out of four of the following : description of the two routes, mention of vessels used, main exporting/importing countries and ports, mention one factor influencing global trading pattern in order to pass.

**Grains:**

Basic information about grains (make reference to some types ie wheat, barley, corn, soya bean meal etc), their use and their significance in dry bulk shipping (one of the most important dry bulk commodities). Make reference to stowage factor.

Identify vessels used and comment on their basic characteristics ie size, gears, different size vessels for different trade routes etc (small coasters-Panamax)

Identify main exporting/importing countries and main ports associated with it. Mention handling equipment used for loading and discharging.

Describe two routes and draw them on a map, simple lines are not sufficient, countries at least need to be identified and preferably ports.

Analyse factors influencing global trading pattern

- Basic explanations of demand and supply principle

Specific factors affecting grain

- Changes in taste or preferences
- Population increase
- Natural phenomena (draughts, fires in fields, floods, hurricanes)
- Famine – world food programme
- Changes in world politics ie sanctions, tariffs (can change the trading patterns)
- Changes in oil prices affecting biofuel (thus demand for grains)

Extra marks were given for describing the current trade in more details including figures (statistics) and give future prospects (reasonably supported). Extra marks were also given for mentioning the importance of tonne-mile factor. Figures did not have to be accurate but reasonable.

**Coal:**

Basic information about coal with reference to some types ie thermal coal, coking coal), their use and the importance in dry bulk shipping (the second most important dry bulk commodity). Make reference to stowage factor.

Identify vessels used and comment on their basic characteristics i.e. size, gearless. (Capes, Panamax, Supramax and smaller for specific trades)

Identify main exporting/importing countries and main ports associated with them. Mention handling equipment used for loading and discharging.

Describe two routes and draw them on a map, simple lines are not sufficient countries, at least need to be identified and preferably ports.

Analyse factors influencing global trading pattern

- Basic explanations of demand and supply principle

Specific factors affecting coal

- General world economic situation as coal is used as fuel for factories but also for the production of steel products which are used in the construction and manufacturing industry. These industries are highly affected by the world economy
- Environmental issues as coal is a 'dirty fuel'
- Market trends of other types of fuel
- Changes in world politics i.e. sanctions, tariffs, strikes in main exporting ports (can change the trading patterns)

Extra marks were given for describing the current trade in more details including figures (statistics) and give future prospects (reasonably supported). Extra marks were also given for mentioning the importance of tonne-mile factor. Figures did not have to be accurate but reasonable.

**4. Answer ALL parts of the question:**

- a) Draw a clearly labeled profile and labeled cross section for a bulk carrier of your choice.**
- b) Write a brief description of your chosen vessel including any measurements.**
- c) Describe TWO main trade routes for this vessel including any weather conditions that might be encountered including load and discharge ports.**

**Use the world map provided to support your answer.**

This is a standard question in DCC and well answered must include good diagrams with basic dimensions included and relevant trade routes described.

Candidates should have drawn a clearly labelled profile AND cross section with all relevant features labelled plus a basic description of the vessel and of two trade routes, including a sea passage.

There were extra marks for including:

- more description of the vessel
- well annotated map (however marks were only awarded for the map if the routes had been properly described)
- an enhanced description of the trade routes beyond Load A, sail across B, discharge at C.

**5. Explain the meaning and use of ALL of the following abbreviations used in chartering negotiations:**

- a) NAABSA**
- b) WIBON**
- c) AAAA**
- d) FIOST**
- e) CQD**

Students had to correctly interpret the abbreviations and offer a basic definition of the terms. In order to pass they had to correctly explain all five terms.

Not always afloat but safely aground – vessel lies safely aground at low water

Whether in berth or not – used in laytime clause in charter party

Always accessible always afloat - laytime term, means cannot order ship to a berth where she may touch bottom and port has to be accessible all times of day and any day (eg not affected by night, tides, winds etc)

Free in out stowed and trimmed – part of the payment terms

Customary quick despatch – indefinite laytime term

There were additional marks for extended explanations and good examples.

**6. Your principal, a steel producer, has asked your advice regarding regular shipments of cargoes averaging 30,000 tonnes per month for a period of two years.**

**The shipments in 15,000 tonne lots will all be loaded at the same port but discharged at various ports within ten days sailing from the loading port.**

**What type of contract would you recommend to your principal and explain your reasons for the recommendation?**

This question required the student to comment on the two main types of contracts i.e. VOY and T/C, providing their argument in favor of one or the other type of contract.

This question allows for several options to be advanced from time charter of a suitable Handysize or MPV through several individual voyage charters or even a COA. A pass answer would be one where the two main options have been discussed along with suitable vessel types. Additional marks were awarded for answers that discuss contracts of affreightment or consecutive voyages. If a time charter was proposed, mentioning the possibility of earning revenue from return voyages would have earned extra marks.

**7. You are working as a competitive broker acting on behalf of a shipowner.**

**You are negotiating cargo under a voyage charter for loading at a port which might be congested.**

**a) Explain to your owner the effect of congestion with respect to tendering NOR and laytime commencing.**

**b) Draft a laytime clause which will protect your owner.**

This was a two part question and students needed to answer both parts to pass. Also they were told they were negotiating for the shipowner and needed to tailor their answers accordingly.

Students needed to explain how congestion affects NOR, commencement and interruptions, noting the elements in favour of the Ship Owner:

- NOR to be tendered www (ideally any time SHINC)
- Laytime to start counting as per 0800/1400 hrs clause
- Time used before commencement of laytime to count
- Time used before commencement of laycan to count
- Laytime non reversible

Students then needed to draft a Laytime clause including all relevant points as mentioned above.

There were extra points for explaining all laytime terms and having all relevant points in the laytime clause laid out neatly and in a professional way.

**8. Write a letter to your owner explaining why his vessel must be 'in class'. Explain the documents required for the ship to operate in international waters.**

To start with the question requests students to write a letter, therefore in order to pass the answer should be in the form of a letter. Students then needed to explain why classification societies exist and how they set the "rules" for the construction of ships. The answer should also have mentioned a number of the main certificates and talk about surveys.

There were additional marks for discussing IACS and a full range of certificates, not just listing them. There were also additional marks for a well written essay with all main points leading to sensible

advice.