

# Examiner's Report

## May 2019

### DRY CARGO CHARTERING

#### General Comments

This report, on the fundamental subject for a dry cargo practitioner, is not to advise on the overall performance of the students but to assist those that have sat this paper and those that are about to sit, with some guidance as to what the examiner are seeking in the answers.

The basic expectation of every student is that they;

- Read and answer the question as given and to ensure all parts, if any, are answered.
- Answer five questions only, (any more will not be marked).
- Know the difference between a report, a message and an essay.
- Know how to clearly draw a profile and a cross section of a standard dry bulk cargo vessel and label all relevant parts and state dimensions.
- Have a reasonable knowledge of trade routes for the subject, showing evidence of ports (in correct location), ocean/seas, counties and weather conditions.
- Show their knowledge and understanding of the subject in an ordered structured answer, as requested and not just a list of relevant points.

1.

*Your Owner's Handy size vessel has been time chartered under NYPE2015 for a period of six months. The ship has just loaded a full cargo of steel coils ex China to be discharged in Italy. The Bill of Lading issued for this voyage is a Congenbill, marked 'Freight payable as per Charter Party' and is signed by the Master of the vessel. The ship has sailed from the loading port and is steaming towards Italy, when the Time Charterer fails to pay the next hire due to the Owners.*

*Write a message to your Owners advising on how they should proceed, reminding them of the functions of the B/L and their obligations under the B/L issued. Advise them of possible remedies under the Time Charter contract.*

The question asked for a message to your owner, therefore, a message format was required. The three main functions of a Bill of Lading were to be explained and also to explain to their principal the obligation to complete the voyage and to deliver the cargo to the holder of the Bill of Lading and the right of vessel's withdrawal from

Time Charter Party. Marks awarded for stating there were two separate contracts, a Time Charter between owner and time charterer and the sub contract, the voyage charter of which the owner is not a party but is still obligated under the Bill of Lading as signed by the Master.

Therefore, there were two main areas where greater marks could have been earned are the message format and depth of detail about the owner's obligation to continue the voyage.

2.

*Answer BOTH parts of the question*

*A) Select a quantity of cargo and freight rate of your choice, draft a final freight statement for your principal, the Owner.*

*The freight payment clause in the Charter Party is the following:  
"Freight payable 95 % less addcomm, brokerage and undisputed despatch at loading port, if any, within 3 banking days after completion of loading and signing/releasing B/L marked "Freight payable as per C/P". Balance less despatch or plus demurrage, as the case may be, payable within 30 days after completion of discharge against Timesheet/ SOF/NOR.  
Freight payable in US Dollars, direct into Owner's nominated bank account.  
FDEDVAOCLONL."*

*Show your full workings for drafting the final freight statement.*

*B) Explain to you principal, how freight is calculated under a voyage Charter Party.*

This is a two-part question and marks were equally awarded for both parts.

Part A is a normal Final Freight Statement and the commission payable is on 100% of the freight not 95%. Layout is important and those answers that set the statement out in a table form enabled the examiner to see if all the relevant points were included.

Part B Freight is calculated under a Voyage C/P by

- a) per metric tonne of cargo loaded
- b) per CBM or
- c) lumpsum

Marks were gained by the depth of explanation of how the cargo quantity is loaded and how verified, i.e. draught survey, shore weighing etc.

3

*An investor, a tanker ship owner, is looking to diversify into bulk carriers. Write a market report on current market conditions and future prospects for dry bulk shipping, giving your recommendation as to which dry bulk sector(s) to invest in.*

What was expected is that the students give a report with a comprehensive layout (not just an essay).

A discussion on the current market situation, both generally and for main sectors (Capes, Pmax, Supras, Handy/Handymax) is expected. Examples of current freight/hire rates and the current demand/supply (trade/tonnage availability) discussed.

Forecasting for the dry bulk market both generally and for main sectors (Capes, Pmax, Supras, Handy/Handymax) would be beneficial.

Developments/factors which will affect Demand/Supply forecasting (sensible arguments and well supported) will all gain extra marks. Examples of recent disasters e.g. mining accidents in Brazil and the effect on supply gain extra marks. The recommendation of which sector to advise your principal in which to invest is an important element of this question. There is no correct single sector in this answer but a well-structured argument on the recommendation is expected.

4.

*You are a shipowner and have fixed a 15,000gt vessel on a Gencon 1994 Voyage charter party to load a cargo of 20,000 tonnes of steel coils. The freight rate agreed is \$25 FIO L/S/D. Box 23 – Freight Tax has been left blank.*

*You have asked the agent at the load port for a pro-forma disbursement so as to arrange transfer of funds. The agent has sent the following by email.*

<i>Port dues</i>	<i>15,000 x \$0.50</i>	<i>\$7,500</i>
<i>Berth dues</i>	<i>15,000 x \$0.20</i>	<i>\$3,000</i>
<i>Cargo Dues</i>	<i>20,000 x \$0.20</i>	<i>\$4,000</i>
<i>Garbage dues</i>		<i>\$600</i>
<i>Pilotage</i>		<i>\$1,000</i>
<i>Towage</i>		<i>\$1,500</i>
<i>Mooring/Unmooring</i>		<i>\$900</i>
<i>Freight Tax @0.25%</i>		<i>\$1,250</i>
<i>Surveyors fee</i>		<i>\$600</i>
<i>Securing</i>		<i>\$3,000</i>
<i>Dunnage wood</i>		<i>\$1,500</i>
<i>Agency fee</i>		<i>\$1,000</i>

*Other costs as per master's requests.*

*Draft a reply to the agent querying the calculations and explaining the reasons for your queries.*

This answer requires you to show your knowledge of a Gencon c/p and freight terms.

The answer must use the information supplied and the answers should highlight that cargo dues, freight tax, securing and dunnage wood should all be for charterers/shippers account. All these should be mentioned in a reply format to the agent.

Marks were awarded for answers that queried the garbage dues and surveyors fees. The owner should be asking if garbage dues are payable whether garbage is discharged or not and the surveyor's fees may be valid if a survey has been requested but should be cleared by P&I club as some will pay for this in cases of steel cargoes. The agency fee may be negotiable and this could also be included in the answer.

5.

*Explain the reasons for which laytime might be interrupted. Will the 'excepted periods' apply when vessel is on demurrage?*

What was being looked for by the examiners is that there must be: an explanation of Interruptions (not just a list) e.g.

Weekends and holidays

Bad weather

Shifting between berths

Strikes

Breakdowns

Then there is the expectation of more in-depth detail on interruptions to gain additional marks, i.e. weekends and holidays - SHEX/SSHEX/FHEX/FSHEX EIU/UU, Superholidays. Interruptions apply even when vessel is waiting for berth (port C/P).

Reference to C/P in regards to interruptions especially 'shifting between berths' and strikes which usually negotiable. Breakdown of vessel's gears against breakdown of shore gears

Additional marks may be earned if there are examples to explain interruptions and knowledge of the Voylay rules in regards to definition holidays and bad weather

The second part of this question is about demurrage. There should be an explanation about demurrage and state that excepted periods do not apply when vessel is on demurrage.

Further explanations such as the statement of 'Once on Demurrage always on demurrage' – unless otherwise agreed, and the meaning behind this would earn additional marks.

6.

*Explain the role of a shipbroker when it comes to negotiating charters. In particular explain the significance of “warranty of authority” and explain potential breaches of this clause.*

What is expected is that the answer explains the full role of the broker in the negotiating process plus demonstrate a full understanding of the necessity to indicate a source of authority when negotiating a charter and the requirement to insert “as agents only”.

In the first part of the question, the answer must address issues, including: Outlining cargo and the most appropriate vessel to carry the cargo. The administrative responsibilities up to conclusion of the charter contract and any value-added consultancy/advisory services.

The next part of the question must address the legal aspects of being a broker and should include the following:

- Requirement to indicate a source of authority
- Need to insert “as agents only”
- Breaches with or without negligence
- Third party liability insurance

As this is question is all about the role and duties of a shipbroker, good understanding of the role and knowledge of a shipbroker is envisaged.

7.

*Answer all parts of the question.*

*Using the graph paper and the outline map provided*

*A). Draw a fully labelled profile and fully labelled cross section for a Panamax bulk carrier*

*B). You should include the principal particulars and specifications of the vessel you have drawn.*

*C) Give a description of two principle trade routes and the type of cargo carried on these routes.*

Here the candidates are expected to answer the question as given. The question asked for a Panamax bulk carrier and any other type of vessel is not correct. The answer must include a well annotated profile and a well annotated cross section, with correct outline of holds, (seven), numbered from bow to stern. The numbering is important as shipbrokers may well have to negotiate on mixed cargoes in different

holds so always number from bow to stern for every type of bulk carrier. The dimensions should be a maximum for the old locks of the canal.

Extra marks available for inclusion of sensible dimensions and trading pattern of the vessel. The trade routes must be described with mention of weather patterns and hazards.

8.

*Starting with the load ports and loading requirements, describe the major trade routes all the way to the discharge ports, including ports, characteristics, hazards, weather and stowage requirements for TWO of the following cargoes:*

*Grain, Timber, Steel, Fertilizers*

*Use the world map provided to support your answer*

Expected in the description would be on how the cargo is loaded and discharged with shore facilities and the associated stowage requirements.

The answer must include a realistic trade route description per commodity (not just lines on map or a list of countries/ports but, for example, Grain loading US Gulf, passing through the Panama Canal and a transpacific crossing to discharge in Tokyo Bay area with at least one comment on stowage, carriage, hazards, weather en-route and cargo characteristics.

Further marks would be given for further detail on stowage, carriage etc and for discussing weather patterns on the described route.