



EXAMINER'S REPORT NOVEMBER 2019

DRY CARGO CHARTERING

General Comments:

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

The basic requirement of every candidate is to

- Read and answer the question as given and to ensure all parts 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 basic dry bulk cargo vessel, label all relevant parts and state dimensions.
- Have a reasonable knowledge of trade routes for the subject.
- Clearly annotating on the map provided, evidence of ports (in correct location), ocean/seas, countries and weather conditions on the route.

Show their knowledge and understanding of the subject in an ordered structured answer, as requested and not just a bullet list of relevant points.

Q1. Your vessel has been fixed to load a cargo of 45,000 5%MOLOO tonnes of steel products at a rate of 5000pwwd SSHINC. Demurrage has been agreed at \$10,000 per day and despatch at half demurrage.

The vessel has arrived at the loading port, tendered NOR and commenced loading in accordance with the terms of the charter party. After two days the charterer has advised that only 35,000 tonnes will be available due to a strike at the steelworks. Your ship can safely load this quantity and the charterer has agreed to pay deadfreight.

Loading of the 35,000 tonnes completes after seven and a half working days. There have been no weather delays or other stoppages. What effect will the failure by the charterer to deliver a full cargo mean for laytime and demurrage/despatch calculations?

This was the question that caused candidates the most problems in answering the relevant points. Nearly all candidates failed to include the Owners 5% when calculating deadfreight. The majority calculated Laytime on 35,000. Most missed the requirement to comment on

charterers right under English law to be credited for the laytime calculated on the amount of cargo for which freight and deadfreight has been paid.

The maximum cargo the owner could load would be 47,250 tonnes giving laytime of 9.45 days. The actual cargo loaded 35,000 tonnes would give a laytime allowed of 7 days.

Having paid deadfreight the charterer is allowed under English law to be credited for the laytime calculated on the amount of cargo for which freight and deadfreight has been paid.

In the above, it would seem that on the basis of laytime calculated on cargo actually loaded, demurrage of half a day would be payable (\$5000). Based on the amount of cargo for which freight and deadfreight had been paid the calculation would show despatch of (9.45 – 7.50 days) 1.95 days due to charterer equal to \$9,750

Owner should therefore, pay \$9,750 despatch to charterer.

Q2. Answer BOTH parts of the question.

A ship has been fixed on a time charter. The owner has received a speed and consumption claim from the charterer. The vessel is a bulk carrier and has been operating mostly in the Pacific for several periods of low activity.

- a) What is a speed and consumption claim? How might it occur?**
- b) Explain FOUR other common reasons for disputes under time charters.**

This was a question that was attempted by the majority of candidates and with the simplicity of the requirement of part b), should have been a question that enabled candidates to do well. However, many did not read the question fully and missed out on key elements to answer. In part a) the vessel had been operating in the Pacific with several periods of low activity. Therefore, the examiners were expecting slow speed and higher consumption due to fouling and growth as an example. In part b) time charter disputes were asked for, not voyage charter disputes such as demurrage, cargo gear failure etc. It was noted that there was little mention of delays caused by Port State Control due owners' faults, lack of certification, crew shortage etc. All answered with similar points of redelivery, bunkers amount and weather.

The examiners were expecting answers which cover investigating consumption from ship's own log figures, weather encountered on voyages, whether a routeing service supplied by charterer was followed and comparison of predicted weather with actual conditions encountered. Investigating if fuel supplied matched specifications if any included in c/p. Periods of inactivity especially where and how long (possibility of excess marine growth and fouling).

In part b) the four other reasons for disputes may include cargo damage, gear breakdown, engine problems, delays caused by PSC due owners' faults, lack of certification, crew shortage etc.

Q3. Explain both 'an arrived ship' and 'laytime commencement' and draft a voyage charter clause covering Notice of Readiness/Laytime commencement.

Although a popular question the requirement was to explain, in detail, "an arrived ship" and "laytime commencement". Many did not include 'readiness' and fulfilment of contractual commitments in the requirements for an arrived ship. Very few candidates explained clearly the berth and port C/P in regards to an arrived ship and tender of NOR. Similarly, numerous candidates did not mention berth c/p at all.

Laytime commencement was described by many, with no reference to NOR and tender requirements.

Surprisingly there was a large number that failed to draft a clause.

It is expected that in defining an arrived ship that the following are included.

- Arrival: Physical, Geographical arrival – port, berth or usual waiting place
- Readiness: Actual readiness – clean holds, not over stowed cargo
- Contractual commitments: proper NOR given (eg within working hrs, as per C/P terms)

Reference to berth or port C/P (WWWW)

When explaining the commencement of laytime the NOR must be included within the explanation.

- Time commencement after NOR is validly tendered, as per C/P
- 0800/1400 Clause, 0800 hrs next working day, Turn time (eg 12,24,48 hrs)

For the drafting of a clause for NOR/Laytime commencement the examiners expect a well drafted clause specifying clearly when NOR can be validly tendered (office hours/working days or ATDNSHINC, berth or port C/P, WWWW, clean holds etc) and when laytime commences (as per one of the above options)

There was the opportunity of obtaining extra marks for additional points such as right to tender NOR before LAYCAN, time start counting before commencement of Laytime.

Q4. A prospective owner of dry bulk ships needs advice on market developments over the next 5 to 10 years and what class of vessel to invest in. Write a report giving reasons for your recommendations of tonnage and whether the company should order new or buy second hand?

The requirement to write in a report format was missed by the majority. There was a complete lack of knowledge on the future of the dry bulk market for the next 5 years, No real market reports or indications of reading. Nearly all tried to answer on the current market. Students were expected to write thorough advice on the type of vessel in which to invest.

The aim of this question is to ascertain the candidates' knowledge of the different cargo markets, the likely changes in the supply/demand balance, charter/freight rates and the impact future geo-political, environmental and safety issues will affect the industry.

This is an open-ended type of question, therefore, a free-thinking essay with good ideas and knowledge is expected. (But it must be written in a Report format).

As a report for a prospective owner it is expected that identification of cargo(es) and trade lanes offering the best growth prospects and why are detailed. Then the recommendation of a class of ship (Handy, Panamax, etc) that best meets these requirements. An explanation of whether to order new or buy second hand is also a requirement of the question.

Other factors affecting market sentiment, such as the environment and potentially impacting ship choice would be beneficial.

Q5. Answer ALL parts of the question.

Using the graph paper and the world map provided to support your answer;

- a) Draw a fully labelled profile and fully labelled cross section for a handy size bulk carrier**
- b) Include the principal particulars and specifications of the vessel**
- c) Give a description of one principal trade route from load port to discharge port for the type of cargo carried. Give details of hazards and weather conditions for this route.**

A variant of this type of question virtually appears in every paper and if answered correctly enables a candidate to gain good marks. Those who failed either did not draw a cross section diagram or did not label the diagrams or provided wrong dimensions of the ship. Holds must be numbered correctly and dimensions applicable to the vessel in question. Another common mistake was the failure of the candidates to explain the trade routes well, in particular with regards to weather and commodity hazards. Many candidates do not annotate correctly the routes on the map or mention countries, oceans or seas currents and weather en-route.

What is expected is a well annotated profile AND a well annotated cross section, with correct outline of holds, (5), numbered from bow to stern. (As on page 14, 2017 DCC course book). Extra marks are available for inclusion of sensible dimensions and a realistic trade route of the vessel. The trade route must be described with mention of the loading and discharge methods and with the weather patterns and hazards on the route as well as the cargo hazards.

Q6. Upon completion of loading a cargo of steel products on your ship, the Mate's receipts have been cloused. The Charterers, however, are requesting your Owner to sign Clean on Board Bills of Lading against Letter of Indemnity.

Write a message to your Owner to explain:

- a) What is the Mate's receipt and the meaning of the term 'cloused'**
- b) What the Master should do and whether LOI should be accepted. Use the Bill of Lading functions to support your advice.**
- c) What problems could arise by signing clean on board bills of lading?**

The answer should be in the form of a message as requested and marks are lost if this is not the case.

There was considerable confusion over the Mate's Receipt and subsequently the B/L. Student were required to explain correctly what the Mate's Receipt is and explain the functions of the B/L.

Several candidates mentioned the Retla clause, and thought that this clause covered any type of damage to a steel cargo which is not the case.

Some candidates did elaborate well on the problems that could arise of accepting to issue a COB B/L against LOI. However, there were candidates who did not give any real advice to protect the Owner or to get him/her out of this situation, other than a simple 'REJECT LOI'. A large proportion of papers failed to refer to violation of the P&I cover and non-enforceability of the LOI.

The examiners were expecting that the explanation of mate's receipt mentions that it serves to give acknowledgement of the receipt of the cargo on board the ship, containing remarks as to the nature, quantity and condition of the goods. They are merely receipts and not documents of title. Explanation of the term 'cloused' –remarks on cargo apparent condition or quantity in some detail is required.

The functions of the bill of lading (Receipt and Document of title) should be explained in the context of the question asked, to demonstrate why it is fraud. The advice to the owner should make reference to the fact that agreeing would be fraud (technical or otherwise).

The discussion of the possible outcomes in case of agreeing should mention: Owners would be open to claim if cargo at discharge port is not as per "receipt", agreeing would affect insurance etc.

Q7. Discuss the use and significance of ALL of the following in a voyage CP.

- a) Demurrage and dispatch**
- b) Loading and discharging range**
- c) NOR and time counted.**

This question required an introduction which should refer to what the charterer is paying for when the ship is fixed, making reference to the fact that the freight rate agreed in the

charter party covers the use of the ship for an agreed amount of time for loading and discharging and for the voyage. Then the three parts should have been explained. Some candidates were confused with voyage and time charter conditions.

What was expected was in part a) Demurrage: Definition of each for Voylayrules 1993; the meaning and nature of demurrage; emphasis on money paid by charterers to the owners not time on demurrage; demurrage = “liquidated damages” (compensation for delay to owner’s ability to earn money); “once on demurrage always on demurrage”. Dispatch: Nature and meaning of dispatch; rate of dispatch (1/2 demurrage?).

Part b) caused the most confusion with many candidates that attempted this question failing to explain correctly loading and discharge range – all of them discussed load discharge rates, laytime and exclusions from laytime. The expectation was for an explanation that the charterer and owner agree in the contract (the charterparty) the place of loading and the place of discharge. One category of a voyage charter involves a voyage from one or several named ports to one or several named ports. Another category would be those which cover a voyage where loading, discharging, or both is at one or more unnamed ports in a geographic range of ports.

The charterer and owner can negotiate and agree whether the loading and/or discharging place will be one specific place or, to give the charterer flexibility, more than one specific place, that is, within a geographical range of places within a reasonable distance of one another. The shipowner will have calculated the freight based on the distances his ship may have to travel. In all cases the nature of the destination should be specified, for example, safe berth or safe port in each port of the L/D range. For voyage estimates the bunker calculations should be reasonably accurate.

Part c) required the definition of NOR from Voylayrules 1993; readiness in all respects; trigger to start laytime running, example from Cl 6 of Gencon 1994; when and how to be tendered.

Q8. Answer BOTH parts of the question.

You are a shipowner of Supramax vessels and have seen the following enquiry in the market:

- = A/C: ICS Shipping & Trading Co Ltd, Panama**
- = Looking for Supramax of max 20 yrs**
- = Time Charter period of 6+6 months**
- = Dely: Indonesia**
- = Redely: trading area**
- = L/C: 1-5 December 2019**
- = Trading area: Worldwide**
- = 3.75% ttl comm incl 2.50% addcom**

- a) Write a timecharter offer for the above enquiry for one of your vessels.**
- b) Write a timecharter clause covering all aspects of bunkers on delivery and**

redelivery.

Some candidates mixed voyage c/p clauses with time charter ones. Most of the offers presented were very basic with very few including any additional terms.

What was required was a Firm Offer, which should include all of the main elements of the time charter offer: account, reply by, vessel's description including speed and consumption, delivery/redelivery (when/where ready, aps, dop), laycan, duration, trading area, intended trade/cargo exclusions, hire, ballast bonus, bunkers, C/P, commissions, subjects. Additional terms e.g. Off-hire, Arbitration, Bs/l issuance, ILOCH, C/V/E, Relet etc etc gained extra marks.

The examiners give extra marks for well-presented offers with more detailed terms such as: Detailed vessel's description, xxx days mol for the duration, hire incl ot/lo/fw, ports/berths in the trading area to be always sp/sb always afloat etc. Therefore, the more detail given the more marks to be gained.

In part b} A time charter bunkering clause for bunkers on delivery/redelivery was the question so the answer should refer to this. The clause should include both bunkers on delivery and redelivery, quantities and how they are ascertained (on-hire/off-hire survey), different types of fuel, value (as per last bunkering invoice, as per platforms etc) was expected. Again, for a well drafted clause and the right to bunker before delivery/redelivery etc gained extra marks.

What was satisfying to note was that some candidates referred to IMO 2020 and the change of fuel requirements if re-delivery was later in 2020.