

Examiner's Report

November 2020

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 examiner 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, 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 basic dry bulk cargo vessel, label all relevant parts and state dimensions.
- Have a reasonable knowledge of Maritime Geography and be able to explain trade routes for the subject.
- Clearly annotating on the map provided, evidence of ports (in correct location), ocean/seas, countries, canals, straits and major 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.

Qu. 1

Answer both parts of the question

A) In a shipbroker's office various types of work may be undertaken. Select any two of the following and describe their roles.

1. Exclusive Broker
2. In-house Broker
3. Competitive Broker
4. Post Fixture position

B) Explain the concept of 'warranty of authority'. Using examples, describe potential breaches of this authority.

- A) *This was a popular question but surprisingly, for the subject, there was insufficient detail of the roles given as expected. There were many cases of confusion over the roles with numerous candidates just stating what brokers are without any explanation of their roles and tasks undertaken.*
- B) *The majority of candidates explained reasonably well the concept of authority and the breach of it, but they failed to mention the necessity to indicate source of authority and the requirement to insert 'as agent only'.*

Qu 2

Your principal is a grain trader who is quite new to the market. They are looking for suitable options to cover their cargoes. Write a message to your principal, explaining the different financial responsibilities they will have as a Charterer under Voyage and Time Charter respectively and advise them on the benefits and drawbacks of each type of chartering contract.

A very popular question but poorly answered overall. The question asked for a message to the principal; many candidates did not undertake this basic task. A majority of the candidates did not elaborate on the different financial responsibilities between voyage and time charter contracts and failed to explain in sufficient detail the advantages and disadvantage of the two types of charter for the grain trader. Naming of any charter party was very poor and most missed demurrage and deadfreight in the answer and also failed to mention that loading and discharging expenses were costs under a voyage charter.

Qu 3

As Owners' broker you have been informed that your Owner's Handymax vessel has arrived at discharge port, but the original Bills of Lading are not available. Write a message to your Owner:

- a) describing the main functions of the Bill of Lading
- b) advising them what steps can and should an Owner take if original Bills of Lading are not available prior commencement of discharge

The answer should have been in a form of a message

This was one of the most popular questions selected by the candidates, but it was the one with one of the lowest pass rates. Unfortunately, numerous candidates did not explain, either or both parts, to the expected standards. Very few explained the difference between the Letter of Indemnity (LOI) used in this scenario with the ones used for pre-dated or COB Bs/l. Similarly, very few candidates explained the procedure for delivering the cargo to the B/L holder and the importance of exchanging the LOI with B/L without any delays. Little mention of discharging under customs custody in the majority of papers. Those that failed almost all stated that the LOI was fraudulent in this case. There was a lack of understanding of LOI and when fraudulent or not.

Qu. 4

This was a question using extracts of a Statement of Facts for the candidates to set out a detailed Time Sheet Statement and calculate Demurrage or Despatch. (A typical brokers requirement in a day to day activity).

This was not a popular question but those few that understood the requirements passed with good marks. It appears that the great majority who answered this question were confident with the requirement. The mistakes varied, but the most common one was the Laytime interruption during meal breaks. Another common mistake was that commission was not deducted from gross Demurrage. Some candidates failed to get right the time of interruption and resumption of work due to weekend (it was specified in the question: Thursday noon to Saturday 0800). Finally, a number of candidates did calculate correctly the time used before commencement of laytime, but did not specify the reason for counting this period in their Time Sheet statement. The layouts of the calculations is also very important; it must be clear and easy to follow.

Qu 5

As charterer's broker you have been approached to secure a vessel for a period of one year. Draft a message to your principal outlining which charter party should be used for the negotiations and fixture. Please explain the need and reason for the use of protective clauses. Highlight those where there is scope for negotiation.

The answer should have been in a message style and deal with a time-charter charter party, such as NYPE or ASBATIME. It should mention and explain protective clauses, including Paramount, New Jason, New Both-to-Blame collision and War clause.

Testing a fundamental aspect of the Dry Cargo Chartering Syllabus, this question was not popular with a low pass rate. There was lack of knowledge in which charter party to use as an example. There were many candidates either not mentioning at all the protective clauses or just listing them without explanation.

Qu 6

Many countries in the world are moving away from coal to generate their electricity and this is leading to a significant fall in the coal trades and it is a trend that will continue. As an adviser to an owner of Panamax vessels heavily reliant on transporting coal, draft a business plan outlining how the issue should be dealt with.

The answer required a *message style response* and it needed to cover the following market elements:

- *Detailed description of the size of the coal trades, background developments and reasons for their decline*
- *Indication of the significance of the coal market for the various classes of bulk ships, but specifically panamax tonnage*
- *The impact on the Panamax fleet sector when it comes to future supply, demand and freight/charter rates*

The most important part of the question is the future strategy and this advice, which needed to be supported by detailed explanations could have included:

- *Withdrawing from the market*
- *Scrapping and/or selling the Panamax tonnage*
- *Converting ships and looking at new business opportunities*
- *Investigating the pooling of tonnage, operating alliances and/or even merger & acquisitions*
- *Targeting other cargoes, such as biomass and grain and shift to different trade lanes*

However, the candidates that answered this question either knew, (a few), or did not know the market, (the majority). The size and importance of coal to the current panamax sector was hardly addressed and future potential strategies were also weakly described with only one or two options being given.

Very few of those who attempted this question explained the current coal market and the impact of the decline on the Panamax tonnage. Extremely poor answers on the strategies to deal with this issue.

Qu 7

Fully explain the function of **all** of the following documents detailing when and why they might be issued and by whom

Mate's Receipt

Notice of Readiness

Cargo Manifest

Phytosanitary Certificate

Statement of Facts

A very popular question with the highest pass rate of the paper. This was as expected as the candidates had to answer all five options but only three needed to be done well to pass. The great majority of candidates did well in explaining M/R, NOR and SOF. Many answers were poor or incorrect as far as Cargo Manifest is concerned. It was disturbing to note the number of candidates who did not know the purpose of a manifest with many of them actually describing a stowage plan. Very few candidates answered Phytosanitary Certificate and it was often wrongly described or not answered at all.

Qu 8

Using the graph paper and the world map provided

- A). Draw a profile and cross section for a Multipurpose vessel.
- B). Label the principal parts of your diagram.
- C) List the principal characteristics and specification of the vessel
- D) Give an example of two principle trade routes and the type of cargo carried on these routes by a multipurpose vessel.

This question is based on the syllabus but not many candidates were able to answer or draw the vessel correctly.

A) The answer should include a well annotated Profile AND a well annotated cross section, with correct outline of holds and tween decks, (As in 2017 DCC course book).

B) Labelling must be correct (with holds numbered from bow to stern etc).

C) Specifications to be realistic. (As in 2017 DCC course book).

D) Trade routes must be realistic and the map is used.

There were very poor answers on the trade routes, mostly not described and several drew Grain/Coal and container liner trade routes. This has shown that outside of the bulk carrier sector, few candidates knew this topic. The failures mostly had the vessel loading iron ore or something equally unlikely. Drawings often missed the tween decks and the swl of the cargo gear.