



EXAMINER'S REPORT

NOVEMBER 2021

DRY CARGO CHARTERING

General Comments

This report, on the fundamental subject for a dry cargo professional, 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, if any, are answered.
- Answer five questions only, (any more will not be marked).
- Know the difference between a report and email correspondence, i.e. a message.
- Know how to clearly draw a profile and a cross section of any cargo vessel that carries dry bulk cargo, (not in containers), label all relevant parts and state the dimensions for this particular vessel.
- 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.

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

Question 1

Choose four of the following abbreviations, write out the full term and explain its meaning and implication when used in a charter fixture.

IUHATUTC

WWD

DLOSP

DHDATSBE

WCCON

This was a popular question and one where maximum marks could be obtained. The question asked for FOUR to be answered. Many only answered three only. The examiners were expecting correct expansion of the abbreviations and an explanation of when they are used and the relevant type of charter party given in the description.

IUHATUTC – if used half actual time used to count.

WWD – weather working day

DLOSP - Dropping Last Outward Sea Pilot

There was a failure to mention delivery or re-delivery. This expression is used to describe the point at which a time-chartered ship is “delivered” to the Charterer or “redelivered” to the shipowner. The place of delivery and redelivery are the places where the time charter commences or comes to an end.

DHDATSBE - Despatch Half Demurrage on Actual Time Saved Both Ends

WCCON - Whether Customs Cleared Or Not.

Question 2

Draft a clause for any of the three of the following and briefly explain the meaning of their contents:

- a) Laytime clause (Voyage Charter)**
- b) Arbitration clause (Voyage and Time Charter)**
- c) Off-Hire clause (Time Charter)**
- d) Cancelling clause (Voyage Charter)**
- e) Strike clause (Voyage Charter)**

Although attempted by many, most candidates did not draft clauses, just gave a general explanation. No clauses meant no pass for the question. Candidates must read the question and answer all of what is required. This was a practical question and the examiners were looking for knowledge of draft clauses with the relevant details. One-line clauses were not sufficient. It was apparent that more revision of this subject was/is required by the majority of candidates.

Question 3

Answer ALL parts of the question

Your principal is an Owner, whose Supramax vessel has just been delivered on a one-year Time Charter for trading World Wide.

- a) Using imaginary data, draft a typical first hire payment calculation
 - b) Briefly explain your workings and all the elements of your calculation
 - c) Explain what 'Grace Period' means, and why you would encounter such a clause in a Time Charter Party
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Most of the candidates failed to understand the main point of the question – the date of the first payment.

The vessel has just been delivered therefore, the first hire payment must be on delivery. The commencement day of the charter should be the payment date.

- a) Hire payment calculation to include:
 - Delivery time (GMT/UTC) / date, amount of hire due for the first 15 days
 - Calculation of quantity of bunkers on delivery x prices
 - Any additional payments – C/V/E, On-hire survey costs (if applicable)
 - Deduction of addcom and brokerage
 - Total amount due to owners
- b) The explanations of the calculations should contain
 - how hire calculated, when payable,
 - additions to hire – Communications; Victualing and Expenses, On-hire survey costs (if applicable)
 - deductions from hire – addcom and brokerage commissions
- c) 'Grace period' – number of banking days usually 3, given by the Owners to the Charterers to rectify payment of hire, in case of failure to make punctual payment of hire; payment received within the grace period shall stand as punctual.

Explanation of the purpose of this clause – in case of delay in payment beyond Charterers' control to remove any temptation for potential misbehavior by the Owners to withdraw their vessel from T/C and eventually fix her at a higher rate on the spot market

The examiners were looking for a well drafted calculation using a realistic hire rate for a Supramax and realistic current bunker prices. References to a Charter Party form such as NYPE or ASBATIME and the relevant clauses (e.g. NYPE 2015 - cl 9 Bunker clause; cl 10 Rate of hire and additions to hire; cl 11 Hire Payment 11(b) Grace period) would have been beneficial in the mark allocation.

Question 4

Your Owner's vessel is loading steel coils at Antwerp port. The loading operations have taken longer than anticipated (through no fault of the ship). The Charterers are now asking you, as broker, to approach Owners with a request that the Master signs the Bills of Lading with today's date, while loading is expected to be completed in about two days.

Draft a message to your Owners to:

- a) Explain the request made by the Charterers using the functions of the Bill of Lading**
- b) Offer your advice, explaining all possible outcomes for any actions.**

There was a failure of many candidates to thoroughly read the question and include the important elements of the cargo in their answers. i.e. Steel coils are very susceptible to damage from the weather and therefore the condition of the cargo has to be included on the B/Ls.

The answer should have been in a form of a message (as an email dated 17 November 2021 the day of the exam). A short introduction with a summary of scenario facts, emphasise no fault of the ship – end loading expected 19th Nov; Charterers requesting Master to sign B/L DD 17th Nov.

The main functions of the Bill of Lading should be explained in the context of the question asked, (not just a textbook description of the functions of a B/L), sensible suggestion of why the request is made (expiring L/C, latest date of shipment of the goods as per L/C, in which case the date of the B/L is very crucial. The reason could be related to the pricing of the goods or taxes to be paid etc.); explanation of "antedated" B/L should be included and there must be a reference to the fact that agreeing would be fraud.

Discussion of the problems of agreeing – possible short shipment, possibility that the cargo which is yet to be loaded might be damaged; comment that if the vessel does not deliver as per "receipt" then open to claim; comment that if quantity/condition of cargo is not correct then affects insurance; no P&I cover; non-enforceability of Letter of Indemnity. The candidates had the opportunity of giving a sensible solution as advice to the owners.

Question 5

Answer all parts of the question

Using the graph paper provided.

Compare and identify the differences between a 30,000 dwt Multipurpose vessel and a 30,000 dwt Handysize vessel by:

- a) Drawing a profile and cross section for each vessel.**
- b) Label the principal parts of the vessels.**
- c) Describe the principal characteristics and specifications of each vessel.**

By using the graph paper there is the chance that the diagrams will be clear and possibly neat. But still many candidates ignored this suggestion and attempted to draw the vessels freehand.

It was noted that a number of candidates did not draw a cross section, (only a profile and plan view). The point of the question was to show the difference between a multipurpose vessel and a handy size hold configuration. To pass, the candidates must draw a profile and cross section.

The question asked for a specific DWT of 30,000 mts, most of the specifications, especially of the Handysize were referring to a range of DWT 25 to 40,000 mts, (in most of the cases quoting exactly the description of a Handysize ship given in textbooks).

Students were required to give a good description of the differences between the two vessels and the cargo capabilities.

Question 6

Your principal is negotiating to carry 50,000 tonnes of grain on consecutive voyages from River Plate area to Penang in 12 months.

They have asked you to give detailed advice on

- a) Type of vessel to use with full description**
- b) A full description of the cargo and how it should be carried, detailing the regulations for carriage and any hazards for the ship.**
- c) Describe the route and hazards that may be encountered for the full period of 12 months.**

One of the aims of this question was for the candidates to show their knowledge of the types of vessels suitable and the trade route from South America to Malaysia.

The discharge port must be placed in the correct location. This obviously affected the trade route description with a few giving a route across the Pacific via Cape Horn. There was a lack of description of the weather hazards over a 12-month period on the route via Cape of Good Hope, across the Indian Ocean and down the Malacca Straits. The examiners were seeking:

- a) A realistic description of a Dry Bulk Carrier to be given. If not geared than an explanation of why not.
- b) Grain regulations must be complied with, A full description of keeping dry, angle of repose, shifting etc.
- c) The route is across the South Atlantic, up through the Indian Ocean and then down the Malacca Straits. Seasonal Weather conditions for each area to be stated over 12 months. Monsoons, Cyclones, rough seas of Cape of Good Hope for example.

Question 7

Answer all parts of the question

You are a broker tasked with finding a vessel for a trader who regularly ships cargoes of grain and steel to and from the Great Lakes and ports in Eastern Canada. They wish to charter a ship for a period of at least a year and will have cargoes all year from at least some of the ports.

- a) What characteristics should the vessel have**
- b) Describe the main trading routes for this charterer**
- c) Discuss the main factors affecting these routes**
- d) What special clauses might be included into the final charter party.**

Use the world map provided to support your answer

The examiners were looking for comments on: Seaway Max vessel, Ice clauses, Additional insurance in winter for breaching INL and describe at least two trade routes in basic detail ie Loading A, transiting B, discharging C.

Also, to include realistic description of the weather on the routes.

Students could also have mentioned that if trading to Churchill, Manitoba on Hudson Bay then the vessel needs to comply with IMO Polar Code regulations.

With this type of question, the map should be used to support the explanation.

Question 8

Your company's financial officer has come to you for an explanation of the Baltic Dry Index. They have noticed that it has risen over the last quarter. They do not know how it affects the company's fleet of Supramaxes.

- a) Explain the make-up of the Index and how it is used.**
- b) Give a brief report on how the dry bulk market has recovered in the last six months and what it has meant for the company's Supramaxes**

This question is a fundamental element of knowledge that this subject requires. Hardly any candidates described the elements of the index and failed to recognise its worth in the market. Part b) of the question was poorly answered as an explanation was required to explain the recent rise of the BDI to a company executive.

- a) The Baltic Dry Index is reported daily by the Baltic Exchange in London. The index provides a benchmark for the price of moving the major raw materials by sea. The index is a composite of three sub-indices that measure different sizes of dry bulk carriers: Capesize, which typically transport iron ore or coal cargoes of about 150,000 tonnes; Panamax, which usually carry coal or grain cargoes of about 60,000 to 70,000 tonnes; and Supramax, with a carrying capacity between 48,000 and 60,000 tonnes. The Baltic Dry Index takes into account 23 different shipping routes carrying coal, iron ore, grains and many other commodities.
- b) A factual report covering the main headlines of the dry bulk market is expected. All three indices have risen overall. With a fleet of Supramaxes, vessels already on long term T/C may not be earning as much as vessels recently chartered. Also, the spot market is worth investigating as well.