



DRY CARGO CHARTERING

INTRODUCTORY REMARKS

The Dry Cargo Chartering exam has a number of core elements namely; the ability to recognise a bulk carrier, to describe the commodities those vessels carry and the routes they trade, the use and functions of the bill of lading and the trading mechanism used to hire a ship or cargo space. It is therefore regrettable that there are still too many students attempting this exam with little basic understanding of the subject. This is an opportunity for students to demonstrate their understanding of the subject, not their ability to memorise lists.

That said there were a number of very well answered papers and I congratulate those students on their understanding and ability to communicate that clearly. For those that failed, I hope the following report will point them in the right direction for their studies for next year.

1. Draw a profile and cross-section for either

(a) Handysize Bulkcarrier or

(b) Very Large Ore Carrier

Explain the principal differences and similarities between the two in relation to ship design and typical cargo.

This was a popular question, which was largely well answered. In order to pass answers had to include a well annotated profile and a well annotated cross-section part. There was some confusion as to the difference between a plan diagram and a cross-section. The answer also had to include an explanation of differences between the vessel types with respect to gear and hold capacity. Unfortunately the latter was largely missed.

Extra marks were available for the inclusion of sensible dimensions and the trading pattern of typical cargoes. Those students that scored highly did so by using 'real' examples for both ship design and trading patterns.

2. Describe the main trade routes for either coal or grain and discuss all characteristics of your chosen commodity including any peculiarities or hazards of the stowage and carriage of it. You may illustrate your answer using the world map provided.

This question very clearly asks students to describe the trade routes of their chosen commodity. It does not ask for a list of countries. It also suggests that the answer can be illustrated using the map. This does not mean that all students have to do is draw a few lines. Candidates need to demonstrate understanding, not just an ability to memorise lists.

In order to pass the question at least two trade routes had to be described at a basic level for example: loading Colombia, transatlantic crossing to discharge Rotterdam. No marks were given for a map if there were no annotations nor if it was not accompanied by the written description requested. Candidates also needed to make at least one comment each on stowage, carriage, hazards and cargo characteristics.

Regrettably although this was a popular question, few students answered it well or even passed, as few wrote the essay that had been requested. Those that did do well added extra comments on stowage and carriage and discussed weather-patterns around routing.

While there was a number of very good maps with ports correctly identified, there were also a number that suggested Capesize bulkcarriers can travel overland!

3. Your owner has been requested by the charterer to sign clean bills of lading for the loaded cargo on your ship. However the mate's receipts are clausued. You (as owner's agent) must write a message to explain the request and advise your owner accordingly. You should include all reasons for either agreeing or disagreeing with the request and explain any outcomes that either course of action will provoke.

Another popular question, but unfortunately it was largely poorly answered. Candidates should remember there are 20 marks per question, this is not a 'real life' test but an opportunity to demonstrate they understand fully how bills of lading work.

In order to pass, candidates should have explained 'Clausued' and using the functions of the bill of lading, namely Receipt, including advice on quantity and description of cargo, and Evidence of Contract, explain why the request was made and comment on fraud.

It is not good enough to list the functions if they are not used to explain the question.

Additional marks were given for discussing the problems of agreeing no P&I, enforceability of LOI etc, potential claims and insurance of cargo. The best answers also included sensible ideas of how to proceed further than just "Don't do it".



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4. Using a vessel and dry cargo commodity of your choice, draft a time charter offer for your owner. In addition explain three of the following terms:

- (a) Ballast Bonus
- (b) Laydays
- (c) Address Commission
- (d) Subjects
- (e) Fully fixed

Offers were generally well drafted, with few candidates mixing voyage for time charter. However in order to pass, the offer should have included all the main details plus candidates needed a correct explanation of three terms. Far too many mixed up laytime which is only found in voyage charters, with laydays, and not enough candidates mentioned, when explaining ballast bonus, that the owner assumes all the risks of the ballast leg. Again candidates should remember there were 20 marks on offer here.

Additional marks were given for offers which included detail on trading area, cargo exclusions, bunkers, c/p form, and term explanations which included some example wording. The best answers were well written with sensible examples.

5. Draw up a typical Statement of Facts using a vessel and cargo of your choice.

Discuss the use and importance of this document in relation to the Notice of Readiness.

For the candidates that attempted this question it was largely well done. Those that failed it generally did so because they drafted a simple time sheet or indeed a laytime calculation, rather than the requested full statement of facts. Some candidates also struggled to explain the importance of the SOF in relation to the NOR.

Extra marks were available for the explanation of main terms and sensible wording of the laytime clause.

6. One of the main causes of dispute in a charter party contract is the financial responsibilities of each party. Draft a message to your owner discussing the different financial responsibilities they will face when time chartering their vessel compared to voyage chartering it. Include any draft clauses you think they should be aware of.

Generally those candidates who attempted this question correctly discussed the financial responsibilities. However very few of them described the correct clauses that highlight these responsibilities. Most of them have commented on the Protective clauses such as New Jason and Clause Paramount.

In order to pass candidates were expected to write a message detailing the main differences between the two forms of charter, eg management, crewing, insurance versus port dues and bunkers and the costs associated with each. They should also have shown the relevant c/p clauses that highlight these responsibilities such as a bunker clause and 'owners to provide clause' from voyage c/p.

Extra marks were given for a logical explanation of all the main differences with sensible examples for both voyage and time charter and well drafted clauses.

7. It is crucial in any charter party to determine where the risk of loss of freight lies. It is also important to determine where freight is payable and how it is calculated. You are a broker for a new owner and it is up to you to make sure they understand the different charter party clauses dealing with this point for both freight (voyage charter) and hire (time charter). Explain to your owner, outlining the various clauses, your advice on what should be the best position for him and how he can protect himself if charterers insist on alternative wording.

Very few students attempted this question and regrettably those that did, did not answer it well. Candidates either discussed the financial responsibilities of both parties, or simply explained how freight or hire is calculated, whilst neglecting to define risk of loss of freight.

In order to pass candidates should have written a message in which they defined risk of loss of freight, discussed 'earned upon loading' vs 'on discharge' or 'on releasing B/L', where and when freight payable, where and when hire payable, how freight and hire calculated.

Extra marks were given for the discussion of liability, insurance and draft clauses.

8. Piracy poses many problems for owners and charterers alike. Comment on industry initiatives aimed at reducing risk with particular regard to ships operating under charter parties.

Those that answered this question generally did well, however the main failing was not answering the question asked. Too many discussed piracy in general without mentioning the requested industry initiatives. Whilst nearly every answer mentioned armed escorts, few mentioned the need for approval by the flag administration.

In order to pass, answers should have made mention of the codes of best practice, approval of armed escorts, the various BIMCO piracy clauses, especially as there is a choice of three to cover most situations; insurance options available, kidnap and ransom insurance.

Additional marks were given for attempting to draft a clause and the use of current examples.