

Examiner's Report

November 2023

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. Reading the past reports of the examiners in DCC and some other subjects mean that the candidate should gain some familiarity with the exam and what is required to pass.

It is becoming increasingly evident that some candidates are not complying with instructions in the Question paper but also on the Answer Booklet.

In the question paper some questions state "write a report/letter" or "draft a message" to a particular person/company. Marks allocated for obeying this very simple instruction are being unnecessarily lost, a difference between pass/fail. Following instructions is an important professional behaviour and expected for this level of exam candidate.

On the Answer Booklet, Instruction 3 states clearly to "Begin each question on a new page". It is unsatisfactory when some candidates do not follow this basic instruction.

The basic requirement of every candidate is to

- **Read and answer the question as given** and to ensure **all** parts, if any, are answered. Comply with the instructions.
- 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 cargo, (not in containers), label all relevant parts and state the dimensions for this particular vessel, not a range of specifications.
- Have a reasonable knowledge of Maritime Geography and be able to explain trade routes for the subject. Shipping is global business and knowledge of the world is paramount.
- The map should always show relevant ports, (in the correct location), routes and geographical features on that route such as ocean, seas, countries, capes, canals, straits and special areas affected by weather, currents or hazards.

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

Question 1

Answer all parts of the question.

You are acting as the broker for a shipowner who has asked you to negotiate for the carriage of a cargo of steel coils at a freight rate no less than \$30 FIOSLSD. The cargo is ready for loading the following day at the same port where the vessel is currently completing discharging its previous cargo.

After some negotiations with the charterer, you receive a final offer for the cargo which includes freight as \$32 FIOS which you accept.

When the fixture is relayed to the shipowner, he refuses to accept the contract under the terms agreed by you.

- a) Why might the owner be allowed to reject the fixture.
- b) What are the consequences for you as the broker.
- c) How might the situation be resolved
- d) How might you have protected yourself?

This is a clear case of breach of warranty of authority. The owner gave you authority to negotiate a freight rate that included lashing, securing and dunnaging, however by agreeing to a slightly higher freight rate you may have exceeded the owners' expectation as to the freight, but you have exposed him to the cost of lashing, securing and dunnaging the cargo.

The charterer has a claim against you for damages if the owner refuses to make the voyage. The owner might accept the voyage if you as brokers pay for the cost of lashing, securing and dunnaging.

You could have protected yourself by having appropriate P&I Cover

Most candidates who attempted this question recognised that there was a breach of warranty but the consequences were very poorly explained. There was distinct lack of comprehension that the broker was liable and the charterers had a right to claim against you the broker. Hardly any candidates explained insurance cover.

Question 2

Your principal is interested in buying a series of 10-year old Supramax vessels that have just become available for purchase. In your capacity as exclusive broker for the shipowner, write a detailed report on what action should be taken, specifically explaining future prospects for this tonnage.

The answer should have been written in a report format with a proper introduction and address and a sign-off. Very few undertook this instruction.

An assessment of the current dry bulk market, including supply, demand, freight rates, newbuilds backlog and the effect on the Supramax sector of the dry bulk fleet should have been given. Many candidates thought a detailed description of the vessel, including a drawing, was sufficient.

A review of factors that will affect this tonnage's future trading prospects, taking into account their age, changing trading patterns, manufacturing and purchasing trends when it comes to buying bulk cargo could have gained additional marks. A realistic

explanation of fleet size and current geo-political problems affecting freight rates would have been an added bonus.

Question 3

Using the graph paper and the outline map provided

- a) Draw a fully labelled side profile and a fully labelled cross section for a Multipurpose vessel.
- b) Fully describe the details of this vessel for a time charter description.
- c) Describe ONE typical trade route for this vessel with details of the cargo of your choice, loading/discharge ports, hazards of cargo carried and weather conditions on the route.

This question clearly states “using the graph paper provided”. Why do candidates wish to miss valuable marks by not complying with this instruction?

The examiners were expecting a well annotated profile and a well annotated cross section, with correct outline of holds and tween decks. A plan view was not required.

A time charter description is that more specifications are to be stated beyond the basic specs of LOA, Beam, Draught, Hold/Hatches, DWT, Hold/Hatches. i.e. T/C specs are Name, IMO number, Flag, Built, Class, LOA, Beam, Draught, Hold/Hatches, DWT, Capacity (Grain/Bale), Teu, Cranes (with SWL), Main Engine kW, Speed and Bunker consumption (loaded and in ballast) as a minimum.

These vessels trade world-wide but are prominent in the Far East and the examiners were seeking any realistic route worldwide, showing the versatility of the vessel's carrying capacity. There were a lack of ports, named and shown on the map, cargo loading/discharging equipment not described and limited detail of weather conditions on the route. Although route choices varied many candidates did not make use of the maps. However, most of the routes shown, for this vessel, were mixed with most suitable for bulk carriers e.g. a full cargo of grain on a typical grain route.

Question 4

Explain the function of FOUR of the following documents detailing when and why they might be issued and by whom.

- i. Mate's receipt
- ii. Notice of Readiness
- iii. Cargo Manifest
- iv. Phytosanitary Certificate
- v. Statement of facts

The results in this question could be even better if candidates had given more in-depth answers. M/R, SOF, and NOR were better explained than Cargo Manifest and much better than Phytosanitary Certificate. Most of the answers on the latter were incorrect as to whom issues this Certificate, when and why. Very few really understood that a phytosanitary certificate is about plant health and extends far beyond being used in grain shipments. Timber cargoes often have problems and, in some countries, a phytosanitary certificate is even required for the wooden floors of containers and dunnage.

Question 5

Answer ALL parts of the question.

- a) Describe the trade of grains and its importance in dry bulk shipping.
- b) Identify the vessels used for its transportation.
- c) Identify the main ports associated with handling such cargoes.
- d) Describe TWO major trade routes.

Use the world map provided to support your answer.

The examiners were expecting some basic information about grains (with reference to some types i.e. wheat, barley, corn, soya bean meal etc), their use and their significance in dry bulk shipping (one of the most important dry bulk commodities). Very few candidates gave this information.

Next to identify vessels used and to comment on their basic characteristics ie size, gears, different size vessels for different trade routes etc (small coasters-Panamax). This part was not well answered. Most of the answers limited the vessels used for carriage of grain within the Handy - Supramax range and only a few mentioned the smaller vessels used in the coastal grain trades.

Candidates were aware of the of some of the main exporting/importing countries but the knowledge of the main ports associated with the grain trade was minimal. The positioning of the ports on the map was poor.

Description of two grain routes was minimal or non-existent. It was rare to see a good map showing routes, ports and countries in the correct position. Maritime geography is noticed to be poor.

Question 6

You have an importer in Japan that needs to move 30-40,000 tonnes of soya beans from northern Brazil to Japan in December 2023. Taking into account as many factors as possible, explain the benefits of the ships and routes that could be used.

Use the world map provided to support your answer.

Most candidates did not take in consideration, or even mention, the stowage factor to establish the correct size of vessel needed to lift the minimum quantity. Many went for handy size vessels, as this was around the range of dwt given in the question, which would in most cases be too small cubic-wise for the cargo. At the midpoint of 50cf per tonne (soyabeans generally around 48-52) a vessel of 42,492m³ would be needed for the 30,000 tonnes and 56,657m³ for 40,000 tonnes. That suggests a Handymax as a 55kdwt Supramax has a typical 70,000m³ grain cubic

Trading routes varied as also the positioning of the loading port varied from Northern Brazil down to the River Plate. With a Handymax the initial route would be through the Panama Canal. A few candidates mentioned the current draft issues and congestion. Many suggested to go around Cape Horn without an explanation. Others stated a route via Cape of Good Hope and passage up to Malacca Straits and through the South China Sea.

There was a distinct lack of information given for the loading and discharging ports and detail of the routes that could be used. Limited weather and hazards given. Map details continue to be poor

Question 7

Answer BOTH parts of the question.

Following enquiry is circulated in the market:

- = A/C: XYZ Merchants Ltd, Switzerland
- = Looking for a Bulk carrier of about 30000 DWT
- = Time Charter period of 1+1 year
- = Dely: APS 1SP Mediterranean port
- = Redely: DOP 1SP within the trading area
- = L/C: 10-25 December 2023
- = Trading area: Worldwide
- = 2.50% ttl comm incl 1.25% addcom
- = Max 15 yrs / IACS Class imperative

- a) As an In-house Broker of the shipowner, draft a time-charter offer for the above enquiry for one of your vessels.
- b) Draft a time charter Off-Hire clause and explain its contents.

To draft a time charter offer many elements must be included. E.g. account, reply by, vessel's description including gt/nt, speed and consumption, port consumption, delivery/redelivery (when/where ready, aps, dop), laycan, duration, trading area, intended trade/cargo exclusions, hire, ballast bonus, bunkers, C/P, commissions, subjects as a minimum.

Additional terms: Off-hire, Arbitration, Bs/l issuance, ILOCH, C/V/E, Relet, for a vessel trading worldwide the ballast system installed needs to meet both IMO and USCG type approval gained 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 more marks were available.

This part (a), was answered well by many candidates however, many did not attempt the off-hire clause but tried to give a brief description of a clause. What was required was a clause that states that the vessel is off-hire when not in service of Charterers and includes many common reasons for a vessel to be considered off-hire. E.g.

- a) Crew matters (strike of crew, delays in sailing due to crew changes or insufficient safe manning or crew documents/certificates incompliance with Port Authorities/PSC)
 - b) Technical issues (breakdown of hull or machinery or equipment, repairs, accidents, cleaning of underwater parts etc)
 - c) arrest of the vessel by any creditors/authorities including detention of PSC
 - d) deviation not permitted by C/P
- Off-hire includes deduction of time but also extra bunkers consumed during the Off-Hire period are for Owners' account*

A general explanation of what 'Off-Hire' means and why common reasons mentioned are considered 'Off-Hires' i.e. why a main engine breakdown is an Off-Hire reason.

Question 8

Answer BOTH parts of the questions.

a) 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. Explain the need and reason for the use of protective clauses.

b) Define those protective clauses where there is scope for negotiation for the charterer's benefit.

a) The answer must be 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.

b) A discussion of the negotiation of clauses and an in-depth explanation was required.

However. It was obvious, from the candidates that attempted this question, (very few overall), that protective clauses were not known and chose to give other clauses which could be negotiated! E.g. off-hire, laycan, arbitration.

Some forgot that they were the charterer's broker and mixed up their principal!