

Tanker Chartering

Examiner's Report, November 2023.

General Comments

Overall, the results again display a disappointing pass rate in this subject of approximately 52%. There is again further evidence that some papers were poorly planned with crossed out work, only parts of questions answered, lacking content, failing to answer the question and answering less than five questions. There was a general decline in the quality of map submissions with ports incorrectly located, missing annotation of countries, main canals, oceans and seas. With some exceptions the quality of ship drawings has generally improved however students still forget to annotate dimensions on to their drawings which loses valuable marks. Students often failed to read the question resulting in badly presented answers. Some students clearly had not prepared for the exams, resulting in poor answers.

1. Answer BOTH parts of the question.

A shipbroker is drafting a laytime clause for a voyage charter.

- a) Describe the main terms of an STS clause including when time starts and when laytime ends.**
- b) Identify THREE different periods of laytime which are normally agreed as half rate, briefly explaining each.**

Internal Report

In order to gain 50% of the marks a student needed, in this two part question to explain some of the main terms of the STS clause. The content should include: compliance with OCIMF guidance for STS operations, charterers providing appropriate fenders, lines and hoses in their time and at their expense, charterers arranging necessary authorisation and licencing for the operation. In addition an explanation was needed of when laytime begins and ends.

External Examiners Report

This was a popular two-part question which attracted some reasonable answers. Some students failed to explain clearly when laytime begins and ends which lost valuable marks. Answers were required to explain that time to count in full from 6 hours after tendering NOR or when first lighter vessel is alongside, whichever is earlier, until last line tender is off and the vessel has sailed and not on disconnection of hoses. Some answers failed to correctly link examples of where half laytime may be linked to a charter party. This may include addition to an Asbatankvoy demurrage clause.

2. Answer ALL parts of the question.

A Charterer has circulated market requirements to brokers with the following information:

“35,000 metric tons CPP Red Sea /Japan 10/20 October

35,000 metric tons CPP ARA/USEC early October”

Select a suitable tanker to offer for ONE employment.

a) Draw a profile and cross section of your chosen tanker type.

b) Label the main details and dimensions on your drawings.

c) On the world map provided, draw and fully annotate BOTH of the above routes including: a port with country of loading and discharge for each route and suggested ports for taking bunkers.

d) Using these routes indicate on the world map provided what weather conditions could be anticipated for a vessel loading in October.

Internal Report

In order to gain 50% of the marks this answer needed to, in this four part question, select and draw a profile of a Medium Range tanker, label the main details and dimensions on the drawings. In part c) annotate some of the details of the two routes on the world map provided and in part c) indicate some of the weather conditions that could be anticipated on the two routes in October along with suggested ports for taking bunkers.

External Examiners Report

This was a popular question which attracted some poorly prepared answers. Some answers again provided a plan drawing of the MR tanker rather than a cross section which did not attract extra marks. Many answers failed to enter the vessel details on the drawings as required in the question. In part three of the question several answers failed to identify, for route 1, a port in the Red Sea, placed ports in the wrong country, or locations. In addition some failed to understand the meaning of the abbreviation A/R/A or Amsterdam/Rotterdam/Antwerp range, for route 2, but instead selected a route to Australia. Part four of the question attracted some reasonable responses with typical weather conditions whereas others lacked content.

3. Answer ALL parts of the questions.

An Aframax tanker has been fixed on voyage charter to load 80,000mt fuel oil 1 SP Turkey for discharge 1 SP Mediterranean France.

- a) Provide a fixture recap for this employment using details of your choice.**
- b) Describe the main terms used.**
- c) Comment on the options available for next employment**

Internal Report

In order to gain 50% of the marks a student needed to, in this three part question, provide a summary of some of the fixture terms which should include the charter party date and place along with the name and domicile of owners, charterers, brokers cargo ports, laycan, laytime and charter party form. In part b) describe the main terms used including a summary of cargo to be loaded, load and discharge ports, laycan, laytime, demurrage, charter party form, GA/Arb London, UK law and commission with division. In part c) a reasonable description of next employment options.

External Examiners Report

This question attracted some poorly prepared answers which failed to clearly describe the fixture date and place or the correct product description. Some answers to part b) were extremely brief and lacked sufficient content. Part c) also attracted some poor responses that did not take advantage of the opportunity to offer suggestions for employment in the Mediterranean Sea, consecutive employment, use of the vessel in contracts of affreightment or time charter employment.

4. Answer ALL parts of the question.

A shipowner has a Suezmax tanker loading Offshore Cabinda, Angola for discharge Shanghai, China.

- a) Prepare a round voyage estimate for this employment using data of your choice. Details of the vessel, load and discharge ports, voyage legs, proposed route, quantity of bunkers needed for the voyage, bunker prices, total cost of bunkers, port charges, total voyage expenses, freight rate, voyage earnings and gross voyage surplus per day. (Show all calculations).**
- b) Calculate a break-even rate for this employment in US dollars per day for the employment described in part a) and comment on profit or loss achieved.**
- c) Describe three causes of delay that are not typically taken into consideration when preparing a voyage estimate with reasons.**

Internal Report

In order to gain 50% of the marks in this round voyage estimate answers needed to provide some of the details covering a round voyage estimate for a Suezmax ship loading Offshore Cabinda, Angola and discharging at Shanghai, China. This would include: details of the vessel, load and discharge ports, voyage legs, proposed route, quantity of bunkers needed for the voyage, bunker prices, total cost of bunkers, port charges, total voyage expenses, freight rate, voyage earnings and gross voyage surplus per day showing all calculations. In part b) a reasonable attempt was needed of a break even rate in US\$ per day.

External Examiners Report

This three-part question attracted some poorly prepared answers that failed to read the question producing a time charter equivalent rate and not a gross voyage surplus. The time charter equivalent rate differs as it must be adjusted for anticipated commission, was not required and did not attract extra marks. Better answers described the preferred route to Shanghai via the Cape of Good Hope. Part b) of the question again was misread and instead of producing a breakeven rate in US\$ per day, answers were provided as a Worldscale rate which was not required. Some answers provided a reasonable comment upon the voyage estimate results and the market condition.

5. Answer BOTH parts of the question.

A Handysize tanker has completed a charter and is open in Iskenderun, Turkey. Owners are considering a further short term charter opportunity with the same charterer.

- a) Make a firm offer for a short-term time charter for this Handysize tanker with details of your choice.**
- b) Describe the main terms used.**
- c) Describe the reasons why a charterer may prefer a short-term time charter fixture.**

Internal Report

In order to gain 50% of the marks a student needed to, in part a) of this three part question, make a firm offer for a short term time charter with some details of an offer including reply date, time and place, vessel between 10,000 to 37,000dwt, cargo exclusions, trading limits with exclusions, quantity, last three cargoes required, time charter duration with options, laycan, delivery/redelivery ports/locations, hire based upon market rate, hire payment, bunkers/prices at delivery/redelivery, notices, extra clauses, total commission payable with division. Law, arbitration, and general average in London. In addition details should be provided of agents, BIMCO infectious diseases, speed/consumption, a Shelltime4 charter party form and subject Owners Board of Director's approval. In addition, a reference was needed to all other terms and conditions as per previous trip time.

Part b) of the question required a description of the main terms. Part c) required a view of the reasons why a short term time charter may be preferred including limited portfolio of cargoes, anticipated downturn in market rates and the need to preserve the privacy of fixture terms in a competitive market.

External Examiners Report

This question attracted some reasonably well prepared answers to part a) of the of the question however some answers failed to identify this as a firm offer and lacked content. Other answers were confused with terms appropriate to an offer for a voyage charter and not a time charter employment. Some answers to part b) were very brief, lacking content and others failed to provide an adequate answer to part c.

Q6. Answer ALL parts of the question.

Provide your principal, a shipowner, with a market report for an Aframax tanker.

Internal Report

In order to gain 50% of the marks a student needed to provide a shipowner with a market report for an Aframax tanker. This would include some aspects of ship supply, product demand, inflation, rates of freight, influences of second hand, demolition, new building, market trends and external influences on rates.

External Examiners Report

This question attracted some reasonable well prepared answers that described the current market trend toward higher freight rates. Those answers that ventured into tabulating rates by area and avoiding description of market influences lost valuable marks. Better answers ventured into identifying a trend with a view of future demand, changes affecting areas of production, future newbuilding, scrapping, technical inspection, efficiency of the world fleet and external environmental issues.

7. Describe the benefits of agreeing a Worldscale rate of freight and WSHTC in a voyage charter in comparison to use of a Lumpsum or freight rate per metric tonne.

Internal Report

In order to gain 50% of the marks this answer required an explanation of the method used to calculate a Worldscale flat rate, use of the 75,000 dwt standard ship, rates quoted in US dollars and round voyages. Some details were needed to calculate a lump sum rate including worst case voyage legs with most distant ports used, know bunker costs, port charges and daily running costs. The answer needed to compare the benefits of use of Worldscale with lump sum. Then go on to describe WSHTC used with agreed load and discharge terms which do not normally require further negotiation. Calculation includes 84 hours used for loading/ discharging, 6 hours extra for each load and discharge port, 24 hours for discharge or maintain 100 PSI at manifold. The time allowed for loading and discharging is 72 hours and shall be subject to whatever qualifications, if any, that are stated in the applicable charter party or contract. Conversely a Lump sum freight or freight rate per metric ton may be negotiated with specific loading and discharging rates usually SHINC but may be SHEX terms

External Examiners Report

This question was reasonably well answered, however some answers failed to adequately describe how the Worldscale flat rate is established, compared with an entirely different calculation for a lump sum rate. Other answers focused upon the benefits of Worldscale compared with lump sum and made little mention of WSHTC. Better answers described the failings of a lump sum rate which must include all additional costs. The main failing of a lumpsum rate is the need to carefully check content to avoid errors. The use of Worldscale avoids this or the need for a table of freight to be attached to a contract, thereby reducing voyage cost calculation and negotiation. These standard costs will be agreed including or excluding canal transit fees. In comparison a lump sum rate will include a range of costs of canal transits, port costs, bunkers, or worst case most extreme port options where discharge ports have not been declared.

8. Answer ALL parts of the question.

An VLCC is open Rotterdam where Owners are considering an offer of a voyage charter with a lumpsum freight to load a cargo of crude oil from Ras Tanura, Saudi Arabia for discharge Kobe, Japan.

- a) Prepare a final offer from a Charterer with subjects added.**
- b) Discuss the main terms of the final offer.**
- c) Suggest the options available for next employment**

Internal Report

In order to gain 50% of the marks, in this two part question a final offer was needed from charterers for the VLCC employment from Ras Tanura, Saudi Arabia to Kobe, Japan. This would include acceptance of terms including: name of Owner, broker, name of Charterer, Vessel name and details (Q88), cargo quantity, cargo description, loadport Ras Tanura, Saudi Arabia, discharge port Kobe Japan, lump sum freight, freight payment, Laycan, WSHTC, Demurrage, notices, commission with division, GA/Arb London, UK Law, Shellvoy 6 Form. The vessel would be placed on subjects for a given time subject to stem, subject shippers/receivers approval or management approval. Part b) of the answer required an explanation of some of the main terms used. Part c) required suggested next employment options.

External Examiners Report

This question produced some poorly prepared answers that provided a firm offer from owners rather than a final offer on subjects from charterers. Part b) of the question was often brief and lacked content. Part c) did attract some good responses making well thought through suggestions for next employment.

Overall

Students who produced short incomplete answers, missed out answers to parts of questions, providing less than five answers or did not include sufficient content lost their opportunity to achieve a pass mark. This examination requires substantial preparation and revision in readiness for a written test. Each written answer needs to have a relevant content of about 800 words, include an understanding of the current tanker market. Students are strongly recommended to review Google maps and be aware of the geography of world trade establishing the location of each major oil port including the relevant country name.

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