

Tanker Chartering

Examiners' Report, May 2024

1. Describe the charter party responsibilities and risks a tanker owner must undertake when fixing a Medium Range tanker to load a cargo of CPP in Singapore for discharge India.

This was a popular question with some poor responses. Students tended to focus on the need to fulfil charter party terms that will form part of the proposed fixture rather than the need to: finance the vessel for the employment including payment for port charges and bunkers. Owners must also insure the vessel usually on an annual basis as shown in Q88. They must operate the vessel to industry standards throughout the fixture, maintain the vessel to industry standard, comply with statutory regulation, safely load, transport and discharge the cargo from Singapore to India and pay the shipbroker commission.

Better answers focused upon the risks associated with compliance with the terms of the Hague Visby rules, potential damage to cargo and providing a seaworthy vessel. Other answers mentioned the risk of non-performance of shippers and charterers and the effects of adverse weather. Owners must check Singapore and ports in India as accessible for a safe berth on arrival, throughout loading, discharging and departure of the vessel, subject to the provisions of the charter party. There are also risks of breakdown of shore equipment at load and discharge ports.

2. Describe TWO methods of establishing a freight rate that owners and charterers may agree under voyage charter employment of a tanker with the reasons for their use.

This was a popular question which attracted some reasonable responses. Worldscale was a popular selected method where several answers failed to correctly describe how the Worldscale 100 rate is established using a standard ship of 75,000 metric tons. Answers needed to include: a round voyage, an average bunker prices and port charges, a current hire rate of US\$16,000 per day, a speed of 12.5 knots, consumption at sea 30 metric tons per day of very low sulphur fuel oil, port consumption of 5 metric tons per day of very low sulphur gas oil, 100 metric tons of VLSFO per round voyage and Worldscale Hours Terms and Conditions.

Another popular method of establishing a freight rate was using a value in US\$ per metric ton of cargo loaded. Answers needed to describe that this method simply involved total earnings divided by the quantity of tonnage loaded. Better answers went on to explain that Worldscale is used exclusively in the petroleum trade, with straight forward ease of use and avoids the need to calculate extra rates for second and third port options at loading and discharge as this is already in the freight scale. The rate per metric ton may be used because the usual charter party terms may have been varied along with a load and discharge rate, the use of SHEX terms. Alternatively a rate per metric ton may be the custom of a particular trade including LNG, LPG, oils ,fats and chemical trades.

3. Answer ALL parts of the question.

Draw a fully labelled profile and cross section for a modern Aframax Tanker.

a) Show the main details and dimensions ON the diagrams.

b) Using the world map provided, draw TWO trade routes on which they are regularly fixed with the type of cargo carried.

c) Describe the weather conditions that could be anticipated for a vessel trading in June worldwide.

This question attracted some poorly prepared answers that included a plan drawing which was not asked for and which did not attract additional marks. Several drawings failed to include annotated dimensions which lost valuable marks. The presentation of other submissions of the trade routes were lacking in content, did not include countries of loading and discharge ports, positioned ports in the wrong locations or offered routes which were not used in the dirty petroleum or crude oil trades. Better answers provided a well laid out description of world weather.

4. Answer BOTH parts of the question.

a) Describe the process of calculating a voyage estimate for a Suezmax tanker undertaking a voyage charter employment of your choice (No calculations are required in this answer).

b) Detail and describe your commercial considerations for your chosen voyage.

This was a popular two-part question that attracted some reasonably well-prepared answers. Some submissions failed too adequately describe the voyage estimate and produce a worked calculation which was not required. Better answers included: The collection of known facts common to the estimate including the vessel description. Then described a voyage plan, voyage legs, the value of bunkers needed for the voyage, port charges, WRAP with a total of voyage of bunkers answer should then describe the calculation of earnings using cargo uplift multiplied the by freight rate less commission. Thereafter, establish total voyage earnings less total voyage costs divided by the number of days equal to gross daily surplus including daily running costs. The answer should then describe the need to deduct daily running costs from gross daily surplus to achieve net daily surplus. A few answers referred to a time charter equivalent rate established by taking the gross daily surplus and adjusting it for anticipated commission.

Part b) of the answer attracted some well thought through commercial considerations including shortest route, adverse weather, piracy and political attack along with the best location to take bunkers at least cost.

5. What is a contract of affreightment and how do its main clauses vary from other forms of fixture?

This question was reasonably well answered. Answers needed to include a definition of the contract of affreightment as a fixture covering a large quantity of cargo to be uplifted over a specific period of time by named and unnamed tonnage each with individual laydays, ports of loading and discharge with an agreed rate of freight for each vessel. Each vessel used under the COA would conform to the terms of a single voyage charter party for all shipments, an example of which is the Asbatankvoy. Several answers then developed differences between this hybrid voyage charter and time charter employment which did not attract additional marks. Answers needed to add that owners are committed to lifting the entire quantity of cargo under a COA which includes a substitution clause to charter in tonnage where their own vessels are not available.

Answers needed to include typical clauses used specifically in a contract of affreightment. Examples of these clauses include the vessel nomination clause and a bunker escalation clause.

6. Answer BOTH parts of the question.

a) Prepare a full fixture recap for a Liquid Petroleum Gas (LPG) carrier, fixed on voyage charter, loading 45,000 metric tonnes butane gas in Qatar for discharge Yokohama, Japan.

b) Explain the main terms used

This was a popular question that attracted some poor answers. Submissions often missed the essential fixture date and place, laytime, terms for freight payment and charter party form. Better answers included a lump sum freight. Other elements needed in the recap for an LPG carrier include Charter Party date and place, name and domicile of Owner, broker, name and domicile of the Charterer, Vessel name and details (Q88), laycan, cargo description, quantity and last three cargoes. In addition add the load and discharge ports or ranges of ports, freight payment, demurrage, notices, extra clauses, Asbatankvoy charter party form. Total commission payable with division. Law, Arb, GA London. Several answers to part b) lacked an adequate explanation of the main terms used and displayed a very limited knowledge or understanding.

7. Describe the content of a typical arbitration clause used in a voyage charter fixture and explain the options available to owners and charterers should this method of dispute resolution be contested.

This was a less popular question that attracted some reasonable well-prepared answers. Most students were able to explain the content of a typical arbitration clause that allowed for each party to appoint an arbitrator to resolve a contractual dispute between owners and charterers. Answers included the need for each party to appoint an arbitrator and the option, where agreement could not be reached for the two arbitrators to appoint a third arbitrator whose decision would be final.

Answers to part b) of the question needed a discussion of alternative methods of dispute resolution where an arbitrator's decision may be disputed. This may include further mediation or litigation. Better answers described the benefits of private proceedings in arbitration and litigation, the role of expert arbitrators from the LMAA and the disadvantages of litigation, with public proceedings, a judge who is well versed in the law but usually not fully versed in specialist skills. Others noted the adverse effects for business of public proceedings that are damaging to trade.

8. Draft a notice of readiness clause of your choice for a tanker fixture that clearly displays when laytime will begin and end. Include THREE customary periods that both owners and charterers consider are excluded from laytime.

This was a popular question that attracted some poorly prepared answers. There were confused answers that included dry cargo terms tendering a notice of readiness in office hours only. The tanker trade almost exclusively uses SHINC terms where the vessel will tender Notice of Readiness upon arrival at the customary anchorage, in all respects ready, at the ports of loading and discharge without restriction. Other answers included that the vessel must tender within a laydays cancelling dates. Laydays however forms a part of another charter party clause as notices are required at all ports of loading and discharge. Some answers were confused and did not clearly explain when laytime begins. Here answers needed to describe time commencing at each port of loading and discharge upon the expiry of 6 hours from the time the notice is tendered or upon berthing, whichever first occurs. Most answers described when laytime ceases at disconnection of hoses.

Better answers to this question alluded to a notice clause for a Ship-to-Ship transfer or variations found in a berth charter party. Part b) of the question attracted some well-prepared answers with good examples of excluded periods including the notice period which is usually 6 hours, the time used from anchorage to berth and the time used awaiting tide or daylight.