

# Tanker Chartering

Examiners' Report, November 2024

## General Comments

Overall, the results display a disappointing pass rate in this subject of approximately 47.59%. There is evidence that some papers were poorly planned with crossed out work, lacking content, failing to answer the question and answering less or more than five questions. There was a general decline in the quality of map submissions with ports incorrectly located, missing annotation of countries, main canals, seas and oceans. With some exceptions the quality of ship drawings has again generally improved however students still forget to annotate dimensions on the drawings which loses valuable marks. Some students failed to read the question missing answers to parts of the question which also lost marks.

### 1. Answer BOTH parts of the question.

**An owner has fixed a tanker on long term time charter employment with a new charterer who has defaulted and not paid the first hire payment.**

**a) Describe what actions the owner must take to protect their interests.**

**b) What precautions should an owner take to avoid a new disponent owner defaulting and not paying the hire due.**

This was a popular question that attracted some disappointingly poor responses. Some answers failed to mention in part a) of the question, to take a decision to withdraw the tanker from charterer's service but instead incorrectly focusing on arbitration proceedings. However, the withdrawal of the tanker from the time charterer's service would limit any further claims that owners may decide to make for unpaid hire. In addition, the owner must inform the master and agents of their decision. Finally, they must instruct the bank to refuse further payments from the new defaulting time charterer. Other actions may include placing a lien on any cargo onboard for unpaid hire.

Part b) of the question attracted some reasonable answers including obtaining forms of security. Further marks may have been achieved by discussing the bona fides of the new time charterer and in conjunction with reports from brokers decide on their commercial ability to perform under the time charter. This would include the need to obtain owner's Board of Director approval for fixing with a new time charterer. They may require additional security from the new time charterer, perhaps with a trial short term time charter and hire payments in much shorter intervals, semi-monthly in advance.

**2 A charterer has available a number of cargoes and is considering either a contract of affreightment or a time charter fixture to transport this cargo at competitive market rates. Compare and contrast the terms of each form of fixture.**

This was a popular question which attracted some poor responses. Some answers lacked an accurate description of each type of contract. The main mistake students repeatedly made was the failure to compare and contrast, and when they did so, they mistakenly described consecutive voyage charter and provided an incorrect description of the cost base for both a contract of affreightment (COA) and a time charter. This resulted in insufficient detail required to explain similarities between them which should have included: a common use of one charter party form, use of a laycan and owners daily running costs with contrasts of freight paid in a contract of affreightment versus a daily hire in time charter employment.

Better answers described a contrast of the risks associated with a contract of affreight to fulfil contract shipments with the need for an option to charter in tonnage when own vessels were out of position and could not meet their laycan. Conversely if a time charter vessel arrived late outside of the laycan, at a point or port of delivery then charterers would have the option to cancel the time charter party.

**3. Answer ALL parts of the question.**

- a) Draw a fully labelled profile and cross section of a modern LNG carrier of your choice.**
- b) Show the main details and dimensions on the diagrams.**
- c) Using the world map provided, draw TWO trade routes for this LNG carrier with different load ports and discharge ports on which they are regularly fixed with the type of cargo carried.**

This question attracted some poorly prepared answers that included a plan drawing which was not asked for and which did not attract additional marks. Drawings were very small and 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 and positioned ports in the wrong locations or included routes that were not used by LNG carriers.

**4. Draft a voyage charter firm offer including a suitable cleaning clause for a tanker loading a cargo of naphtha using details of your choice.**

This was a popular question that attracted some poor answers. Some submissions failed to provide a firm offer and instead provided the terms of a fixture recap which lost valuable marks. Other answers provided a firm offer for a tanker carrying DPP/crude oil and use of dry cargo despatch terms which are not used in tanker trades. Several answers included subjects of shippers, receivers approval and subject stem which are not applicable in a firm offer as none of the terms have been agreed.

Several answers failed to provide the wording of a cleaning clause but instead briefly referred to it in the firm offer. Better answers stated that owner must clean the tanks, pipes and pumps of the vessel to the satisfaction of the charterer's Inspector, made provision for reinspection if tanks were failed, provided charterers the right to terminate the charter party after a given time limit for recleaning after the vessel failed to achieve an adequate level of cleaning and included provision for liability for cross contamination of grades of naphtha.

**5. Answer BOTH parts of the question.**

**From the following select FOUR different cargo types of your choice:**

- i. Crude oil**
- ii. DPP**
- iii. CPP**
- iv. LPG**
- v. Chemicals**
- vi. Edible oils**

**a) Draw ONE route for each selected cargo, with a port of loading and a port of discharge and describe the route each tanker will use. Use the world map provided to support your answer.**

**b) For EACH trade route, describe the likely weather enroute that may be experienced in March.**

This question attracted some poor responses to part a) where maps included ports in the wrong locations, names of countries rather than ports, missing locations of ports, missing oceans, seas and main canals. Part b) of the answer was also poorly answered with missing important weather conditions that would adversely affect the passage of a ship. Routes which passed through the NW Atlantic should mention extra tropical cyclones, other routes that passed through the Mediterranean Sea should mention cyclones, the Indian Ocean is adversely affected by SW Monsoon during April and passages to discharge ports in the Far East are adversely affected Typhoons which are experienced in April.

**6. The tanker market has experienced an increase in tonne miles during the past year. Prepare a current crude oil market report for your principal that includes comments on this influence in the crude oil trade.**

This was a popular question that attracted some disappointing answers. Answers failed to cover some of the important aspects of the crude oil market and the influence of the conflict in Ukraine and the Middle East. Ships which would have loaded in MEG and passed through the Suez Canal have used a much longer route via the Cape of Good Hope. Answers often failed to mention the impact on owners costs, the current freight levels, and the effect on the newbuilding, second hand and demolition markets. Many answers failed to observe that some VLCC and ULCC tonnage are too wide and have a deeper draft than permitted for transit through the Suez Canal where there is a restriction of 20.1metres or Panama Canal where there is a restriction of 15.metres.

**7. Answer BOTH parts of the question.**

**A VLCC is available to load a cargo of crude oil in US Gulf for discharge in South Korea.**

**a) Prepare a firm offer for this voyage charter employment using WSHTC.**

**b) Describe how Worldscale terms are calculated and the benefits of using this system.**

This was a less popular question that attracted some poorly prepared answers. Some answers to part a) were not firm offers, as they did not have a reply date, time or place and included subjects for shippers, receivers approval, subject to stem which do not apply as terms have not been agreed. Some answers did not indicate any understanding of the term Worldscale Hours Terms and Conditions (WSHTC), the laytime allowed of 72 hours SHINC, port and terminal combinations with those items that are for owner's account and charterer's account.

Part b) attracted some reasonable responses, however several answers had an incorrect description of the standard ship details with incorrect speed, consumption and daily hire rate. Better answers described the benefits of the system which avoids unnecessary errors in calculation of an alternative lumpsum rate and mentioned the use of Worldscale rates as an indicator of market trend.

**8.** Answer BOTH parts of the question.

a) Describe the conditions that must be fulfilled for a tanker to be considered an arrived ship.

b) Describe the provisions of a laytime clause of your choice, with THREE periods that are customarily excluded from laytime in a voyage charter party

This was a popular two-part question that attracted some reasonably well-prepared answers. Some descriptions of conditions that needed to be fulfilled for an arrived ship tendered to focus upon the load port rather than both the load and discharge ports.

In part b) better answers described the number of running hours specified as laytime in Part I of the charter party which are allowed for the Charterer as laytime for loading and discharging cargo. Some answers provided more than three customary periods which are excluded from laytime which did not attract extra marks. Customary excluded periods will usually include awaiting tide or daylight, time used to move the vessel from anchorage to the berth and time consumed discharging ballast or slops.