

# INSTITUTE OF CHARTERED SHIPBROKERS

APRIL 2009 EXAMINATIONS

THURSDAY 23 APRIL – MORNING

## TANKER CHARTERING

**Time allowed – Three hours**

**Answer any FIVE questions – All questions carry equal marks**

1. Discuss the impact that the “financial crisis” has had on the tanker markets. Select a tanker trade to illustrate your answer. Giving reasons, what is your forecast for the state of the market for the remainder of 2009.
2. With the aid of a sketch describe a modern VLCC tanker showing the main details and dimensions. Using the world map provided, explain what trade routes they are regularly fixed on. Selecting one of these routes describe the weather conditions that could be anticipated for a vessel loading in January.
3. Selecting **TWO** of the following organisations explain how they operate and the role they have in the tanker industry.  
Worldscale                      IMO                      OCIMF
4. Why do some charterers insist on inserting an “In Transit Loss Clause” into the charter party? In practice what should a fair “In Transit Loss Clause” cover?
5. You are the Chartering manager for an oil company with a contract to supply Jet Fuel from their refinery in the Middle East to Europe over the next 12 months. Explain what type of vessel would be suitable, how you would monitor the market and what strategies you may employ to stabilise costs. Make and state any assumptions you deem necessary.
6. To what extent is the phrase ‘once on demurrage always on demurrage’ applicable in a modern tanker charter party? Give four examples of exceptions to laytime and explain whether they would apply to demurrage.
7. When fixed on time charter what incidents may put the vessel ‘off hire’? How will the charterers protect themselves against the vessel under-performing with respect to speed and consumption?
8. Your Principal is considering investing in combination carriers (OBOs or O/Os). Prepare a report outlining the advantages and disadvantages of trading such vessels in the tanker trades as opposed to a conventional tanker.

# **THE INSTITUTE OF CHARTERED SHIPBROKERS**

## **TAKNKR CHARTERING (TKC)**

**2009**

### **EXAMINER'S REPORT**

#### **OVERALL COMMENTS**

In was apparent that the inclusion of the blank world map has been a great time-saver and reasonably well utilised as far as it went. Little evidence to show that candidates know where ports are

#### **QUESTION 1 – IMPACT OF THE FINANCIAL CRISIS**

Some well expressed answers covering the effect of the financial crisis on new-building order books as well as chartering markets. The low marks went to candidates who used generalities such as “the charter market has dropped”, “recent times” or “freight rates are improving to better levels”. Many candidates believed that tanker market demand is related to GDP, it is an important influence but supply area and tonne-mile demand needs to considered as well.

#### **QUESTION 2 - VLCC TANKER**

The supply of the printed map seemed to help candidates in this question but at the same time exposed the apparent lack of knowledge as to location of ports – in that these were very rarely included! Sketches have improved overall but there are still a few which are drawn without a ruler or much too small. The dimensions shown were generally more accurate. The trip of the vessel in January caused a certain amount of confusion with some mentioning ‘Typhoons’ and others ‘Monsoons’ – certainly more work needed on geography.

#### **QUESTION 3 - INTERNATIONAL ORGANISATIONS**

IMO was quite well understood by those who tackled this question but OCIMF although the least popular, covered the important areas of ‘SIRE reports’, ‘Q88’s’, with some mentioning ‘TMSA’. Worldscale was tackled by many without looking at the overall utility and popularity, this was designed to test ‘why’ rather than ‘how’. One suggestion was that [sic] “.fixing WS100 means that for every 100 miles you are going to pay hire \$100 sterling dollars per mile..”.

#### **QUESTION 4 –IN TRANSIT LOSS**

Not popular but reasonably well answered by those who attempted it. 'In Transit loss' is different from 'Cargo retention'. The important points are how will the loss be measured (ship's figures at each end, gross or net figures?); the clause should allow for charterers to claim from owners as opposed to deduct from freight; what are the risks of receiving a second claim from the B/L holder, if different from the charterer?

#### **QUESTION 5 – JET FUEL SUPPLY**

Some confusion apparent here with respect to vessel size and whether vessels would be coated.

Only a handful could cite the LR (Long Range) vessel and the choice of 'spot' versus timecharter versus contract of affreightment was not fully covered in the majority of answers. Somewhat disappointing that very few candidates put themselves in the position of the person responsible for arranging the transportation and taking an overall view.

#### **QUESTION 6 – DEMURRAGE**

The point that should have been emphasised is that exceptions to laytime do not apply as exceptions to demurrage. The charter party must have clear language stating what events will be excluded from demurrage. Of course most printed forms and rider clauses do have such language thus tends to be overlooked. The main mistake was students stating what the exceptions to laytime are whilst ignoring the demurrage element entirely. One amusing explanation said that demurrage is a "liquidity penalty" - probably a banker's answer!

#### **QUESTION 7 – OFFHIRE**

The answers did not demonstrate a thorough understanding of the time charter party form - a common form is the Shellvoy 6. Answers lacked detail of how off-hire works, the speed and consumption warranty was glossed over in many cases without explaining how a calculation would be carried out and how a loss is settled (extra time used and bunkers consumed over a given period would be paid to charterers by owners, or possibly deducted from the next hire payment if agreed).

#### **QUESTION 8 – COMBINATION CARRIERS**

Overall OBO's are not popular in tanker chartering markets and this was reflected in the answers received. Most candidates did conclude that they were 'not a good idea'. The report format requirement was ignored in too many answers resulting in reduced marks..