

Practical Tanker Chartering

The Baltic Exchange
London
21-24 May 2018

Organised by



Cambridge Academy of Transport

In association with





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Registration Form

PRACTICAL TANKER CHARTERING

21-24 MAY 2018

To register, please complete this form and send it by email or fax to Tulika Singh at the number given below.

PARTICIPANT 1:	Title _____	First name(s) _____
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	Family name _____	
	Company position _____	
PARTICIPANT 3:	Title _____	First name(s) _____
	Family name _____	
	Company position _____	
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	Nature of business: _____	
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Enclosed is a cheque Please invoice my Company I wish to pay by Credit Card (details below)

Course Fees: The fee of **£2,400** includes tuition, lunch each day, refreshment breaks, full documentation and UK Value Added Tax. Payment can be made by cheque, bankers draft or inter-bank transfer. Cheques should be made payable to Cambridge Academy of Transport in Sterling drawn on a Bank in the United Kingdom. Our Bank details are:

Barclays Bank Plc, 28 Chesterton Road, Cambridge CB4 3AZ, UK
Account Number: 60224553 Sort Code: 20-17-35
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Return this form to:

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Course Programme

**Practical Tanker Chartering
21-24 May 2018
The Baltic Exchange, London**

**Seminar Leader
Dr John M Doviak, Director, Cambridge Academy of Transport, Cambridge, UK**

INTRODUCTION

**Monday
21 May**

Seminar Preview & Introductions **0900-0915**

During this session, a preview of the course will be given highlighting the objectives of each section and providing the rationale to the structure.

**Tanker Chartering: Development of the Fleet
and the Market – Part I** **Session 1
0915-1030**

The session will open with a brief review of the history and development of the tanker industry. This will develop into an examination of the various types and sizes of vessels, the pattern of trade and the division of ownership between oil companies and the independent owners. The lecturer will then consider the various types of charterers and conclude with comments on how shipowners and charterers come together in the market leading up to a fixture.

**Tanker Chartering: Development of the Fleet
and the Market – Part II** **Session 2
1045-1215**

Carrying on from the previous session, more time will be spent on the technical features of tankers and their operations. As a preview of sessions that will follow, the lecturer will explain how a fixture is concluded, with specific reference to the main terms of an initial offer, what is a firm offer, counter-offer options: accept/except or decline and re-offer and finally a few words on “subjects”.

WORKING THE MARKET

Workshop 1: Evaluating and Selecting Ships and Cargoes **Session 3
1345-1515**

The purpose of this workshop is twofold. Firstly, it will give an insight into the way that chartering markets work and, secondly, it will allow participants to meet and discover a little more about each other at an early stage in the course.

The task that each individual will be set is relatively simple and there are no tricks. Each participant will be given either a unique vessel (Shipowners) or a unique cargo (Charterers) and it will be his/her task to find the matching cargo or vessel during the session. For every ship in the market, there is one ideal cargo; for every cargo, one ideal ship.

**Session 4
1530-1630****The Worldscale System**

The Worldscale system of quoting freight rates is unique to the tanker market, having developed from earlier post-war methods of presenting freight rates. One of the objectives of the system is to allow charterers the option to quote for business without being specific about the ports - for example, to describe a shipment as Arabian Gulf - West rather than Ras Tanura - Rotterdam. This built-in flexibility of the Worldscale System, however, does have some hazards for the uninitiated. This session will look at the System and reveal some of the traps awaiting the unsuspecting user.

**Session 5
1630-1800****Workshop 2: Worldscale Exercise**

During this session, some of the principles learned during the lecture will be put to the test to give participants a working knowledge of how the Worldscale system is used in the tanker industry.

**Tuesday
22 May**

**Session 6
0900-1015****Forward Freight Agreements for the Tanker Trades**

This session will describe how Forward Freight Agreements (FFAs) work, define basis and residual risks, and explain how counter-party risk is a key component of the transaction. In addition, the practicalities of how to complete an FFA will be elucidated by the use of a number of examples.

THE LAW**Session 7
1030-1230****Legal Principles of Charter Parties and Bills of Lading**

The purpose of this lecture is to establish the fundamental principles of various charter party forms, laying the foundation for chartering practices in the liquid bulk markets. Using Asbatankvoy for the voyage charter party and Shelltime for the time charter party, the main clauses of voyage and time charters will be reviewed. Amongst many other important items, the lecturer will cover: vessel/cargo description, safe ports, tendering of notices, payment of freight and liens on cargo.

Following on from the introduction to voyage charter parties presented earlier, this session will consider the time charter party, showing the division of responsibilities between owner and charterer. Legal decisions impacting on the meaning of specific clauses will be explained, included amongst which will be clauses dealing with: the carrying voyage and the "master's responsibility"; hire, withdrawal, and anti-technicality; speed and consumption; and performance generally.

**Session 8
1330-1445****Legal Principles *Continued***

Having established the basics for the contracts for the use of a ship, the lecturer will now consider perhaps the most important of the shipping contracts: the Bill of Lading – the contract between the carrier and the cargo interests. The bill of lading is a much misunderstood document that accompanies many shipments. On the one hand, it serves as a receipt for the goods loaded on board ship; it is also a document of title; and in the hands of a receiver not party to the original charter party it may be a contract of carriage. Such a wide range of attributes is a recipe for trouble, and bills of lading lead to numerous disputes.

How the typical bill of lading functions under various charter party forms will be reviewed, and the most frequently encountered problems discussed. In the oil trades, masters are frequently asked to discharge cargo without an original bill of lading being presented. The implication of this to the shipowner, and the way to protect his interests, will be developed during this session.

NEGOTIATING

Session 9

Negotiating Charter Parties: Offers, Counter-Offers & Subjects 1500-1600

One of the most difficult tasks any broker or chartering manager undertakes is negotiating a fixture. The various markets have unique characteristics which lead to phrases and terminology which would only apply in these trades. Therefore anyone involved in fixing ships needs to be not only familiar with the relevant market terminology but also knowledgeable in the practice of the trade. During this session, participants will hear how to negotiate a fixture in the liquid-bulk trades and thus become more familiar with the "jargon" which abounds in the world of chartering. In this respect, the composition and validity of a firm offer will be explained; the differing ways a counter-offer can be constructed; and the meaning of many of the subjects which accompany offers and counters.

VOYAGE ESTIMATING

Session 10

Voyage Estimating Principles 1600-1645

In order for ship-owners to achieve their determined earnings requirement, it is crucial that each voyage must be analysed for cost effectiveness and profitable return.

This session will go through such a calculation step by step and show how the final result is achieved thereby expanding on the use of Worldscale. Voyage estimating is indispensable for shipping professionals involved in the market, and the principles apply equally well to all trades. Even cargo interests should know how to do a voyage estimate as they may well find themselves as despondent owners sub-chartering a vessel out in the spot trades.

Session 11

Practical Examples of Voyage Estimating for Tankers 1700-1815

A number of examples will be presented illustrating the principles introduced in the preceding session.

Session 12

**Wednesday
23 May**

Special & Additional Clauses Encountered in the Oil Trades 0915-1030

Once the owner's broker has decided that he is interested in a particular piece of business he will draw up a firm offer which will contain the main elements of any tanker charter party, many of which will have been discussed in an earlier session such as: description of ship, cargo size/description, load/discharge ports/ranges, speed, demurrage, freight rate and many others.

It is a fact of life in the market today that many charterers have their own preferred clauses which are very difficult to alter. These clauses deal primarily with aspects of chartering and operation which are peculiar to the tanker trades. In this session some of the clauses which are encountered will be examined, including:-

- Letter of Indemnity
- Cargo retention
- Pumping
- Speed up
- War Risk insurance
- Additional premium
- Freight payment
- Cleaning
- Load on top
- Freight on slops
- Clean ballast

- Black list
- Commencement of laytime
- Conoco Weather Clause
- Subjects

POST FIXTURE

Post Fixture Operations & the Payment of Freight, Hire and Commission Clauses

Session 13
1045-1200

All fixtures start life with a 'fixture confirmation' or 're-cap' as the reflection of the contract made which is then produced in the form of a Charter Party, or alternatively in the form of a subsequent exchange of written acknowledgements when Charter Party Administration Clauses apply. Broking companies vary and in some the broker is involved in Charter preparation, in others the post fixture department does this job, whilst others still a dedicated person or section will deal with this.

As with negotiations it is essential that operation of a fixture is done in a methodical and clearly recorded way. All messages need careful filing, and telephone conversations and other exchanges clearly noted with relevant times and dates. The importance of this cannot be understated, particularly if subsequent disputes or claims arise.

Assuming the vessel performs to plan whether on a voyage or time charter, then the shipowner, disponent owner and broker would expect to receive their just rewards. The payment of freight under a voyage charter party or hire under a time charter party can lead to difficulties should any delays occur, the most serious of which could be the withdrawal of the vessel from the service of the time charterer – an option not open to the owner in the case of a voyage contract when usually freight is due after delivery. The broker can often find himself caught in the middle of a dispute which threatens his livelihood through no fault of his own. The mechanics of money payments and the areas where problems may arise will be considered here.

LAYTIME & DEMURRAGE

Laytime & Demurrage Principles

Session 14
1215-1315

Perhaps the most contentious aspect of chartering lies in the determination of laytime and consequently demurrage. Disputes over what appears to be these "additional" payments are not too surprising; however, what is surprising is the volume of litigation associated with laytime disputes.

This session will discuss the general principles of laytime, and the basis of making a claim for demurrage. The items which will be addressed during the session are:

1. What is laytime and how does demurrage arise?
2. Who pays demurrage?
3. How are laytime and demurrage specified in a tanker charter party?
4. When does laytime start, when does it finish, what time counts as laytime and what time is excluded?
5. A comparison of "berth" and "port" charter parties.
6. An explanation of laydays and the laydays/cancelling clause.
7. The "Laura Prima" case and the current legal position of the "berth reachable on arrival" commitment by charterers.
8. Pumping Warranties.

Session 15**Workshop 3: Laytime & Demurrage Practical Exercises****1415-1515**

The principles covered during the lecture above will be enhanced by a number of exercises which the participants will be set.

Session 16**Workshop 3: Continued****1530-1700****CHARTERING PRACTICE****Thursday
24 May****Session 17****Tanker Market Overview****0900-1015**

Uncertainty is fundamental to shipping markets - as with commodities, currencies, and life itself. A shipowner's biggest challenge has always been the future, and increasingly charterers need to respond to the prospect of there no longer being a surplus of tonnage in every loading area awaiting their next order to be offered on the market. This implied tightening of the supply-side, it can be argued, goes against conventional wisdom, as whenever there has been a demand-led improvement in freight rates, the supply of tonnage has increased because of new orders, deferred vessel scrapping and an overall increase in the industry's productivity.

After demand for the commodity carried, the amount of tonnage being delivered from shipyards and the size of the orderbook have the greatest influence on short term freight rate expectations. Therefore any attempt to determine what is happening in the tanker market must start with an examination of the next three to five years. After coming to a conclusion about the short/medium term, it is then possible to roll these assumptions forward and take a view about the longer term.

Ultimately shipping demand is a derived demand - meeting the requirements of the charterers or shippers over which a shipowner has virtually no influence. An oil tanker typically takes two years between ordering and delivery, and has a trading life of about 25 years, representing a considerable financial commitment and usually reliant upon skilled commercial support as well as seafarers to ensure the venture is successful. The achievement of this objective is set against an uncertain market - the scope of which will be examined in this session.

Session 18**Vetting and Other Tanker Chartering Issues****1030-1130**

Know your customers' needs is a requirement that attaches to most businesses, and in the international markets it is easier said than done. Oil charterers have become particularly selective with the threat of oil pollution always a consideration. As a consequence, a system of vetting the vessel and her management/ownership has become highly developed in the tanker sector. How the process works and the quality related requirements of the charterer will be considered in this session along with a number of other important features of the business.

The session will also be a useful recap on the sessions that have preceded it with the lecturer available to discuss any issues which the participants wish to raise.

Session 19**Tanker Trading & Voyage Evaluation****1130-1230**

Tanker trading begins with a strategic decision on how the business wishes to position itself within the tanker market. A shipowner can be simply an investment fund that buys tankers but does not "trade" them on the chartering market. Alternatively, an operator of tankers need not own a single vessel but through time charters has a significant exposure to the chartering markets. The session will begin with a look at the various ways a company can be represented in the tanker market. It will then go on to consider how to measure the benefit of alternative methods of employment.

In this regard, the objective of the voyage selection process is to maximise time charter equivalent over the entire trading period. This will not necessarily be guaranteed by choosing the voyage based on financial evaluation alone. Financial evaluation is indeed a critical factor in the decision process but it is only a part of picture. The second part of this session will give attention to the construction of a voyage evaluation and introduce the concept of trading zones for the various vessel size groupings.

Workshop 4: Chartering Exercise – Voyage Evaluation

**Session 20
1330-1630**

You are the chartering department of a major oil company with a significant cargo base. As well as your own cargoes you control a fleet of time chartered vessels and your policy is to maximise earnings on these vessels by means of optimal scheduling of your own cargoes and vessels together with entering the third party cargo and vessel market (i.e. chartering in/out) when necessary and/or commercially advantageous.

During this exercise, you will be asked to optimise the returns from your assets and trading given a particular position of your vessels and cargoes. In doing so, participants will make use of the various methods for evaluation developed in the previous session.

Conclusion and Feedback

**Session 21
1630**

Programme and Lecturers subject to change