

Chartering: A Practical Approach

19 - 23 March 2018
Wolfson College • Cambridge

Organised by



Cambridge Academy of Transport

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Cambridge Academy of Transport

Registration Form

CHARTERING: A PRACTICAL APPROACH

19–23 MARCH 2018

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

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	Family name _____	
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Enclosed is a cheque Please invoice my Company I wish to pay by Credit Card (details below)

Seminar Fee: The Seminar Fee of **£3,900.00** covers tuition, accommodation, all meals, documentation, a full social programme and includes UK Value Added Tax at 20%. 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:

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Course Programme

**Chartering: A Practical Approach
19 - 23 March 2018
Wolfson College · Cambridge**

**Course Leader
John Doviak · Managing Director · Cambridge Academy of Transport Ltd**

INTRODUCTION

**Monday
19 March**

Course Introduction

This session will describe the shape of the week's programme and demonstrate how it will relate to a sequence of practical chartering decisions and problems. During the presentation it will be emphasised that the course is intended to be a dialogue making maximum use of the experience of lecturers and participants alike.

**Session 1
1400-1415**

How the Markets Work

This session will examine how the chartering markets work and concentrate on the day-to-day activities of a chartering broker. It will review the services he provides for his principals and how he proceeds to assist in the negotiations which eventually result in a fixture and the drawing up of a charter party. A brief look will also be taken at the way the Baltic Exchange operates and how the unique character of the Baltic has evolved over the years to offer, today, a range of facilities complementing its traditional role as a freight market. The IRA bomb which destroyed the Baltic Exchange building has caused a rethink of what future role the Baltic should play in the industry and what facilities should be available to its members.

**Session 2
1415-1515**

NEGOTIATION

Negotiating Charter Parties

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 learn some of the "jargon" which abounds in the world of chartering and which makes the negotiation of the charter party both exciting and risky.

**Session 3
1530-1615**

Shock Negotiation

During this first of several workshops, participants will be given an opportunity to practise their negotiating skills on a typical chartering exercise. Some of the problems which emerge will be looked at in more detail in a later session.

**Session 4
1615-1715**

Session 5**Law Clinic - Part 1 - Collecting Participants' Questions****1715-1730**

During a later section of the course, Bob Deering, a partner with BDM Law LLP, will be available to answer any legal questions relating to chartering which participants may have. Some questions will have already been submitted by participants in advance, so this session is being used as a last chance to gather together any additional legal issues. The law of chartering can be quite complex, and by giving Bob Deering several days advance warning of any questions, more complete answers should be possible where necessary.

Session 6**Case Study Introduction: Parts A & B****1730-1830**

This is a practical Case Study, designed to run throughout the whole period of the course and to provide a thread which will link together much of the subject matter of the lectures. The aim is to allow participants to gain experience of the workings of the chartering market by active participation in situations which are adapted from real events and which require involvement to achieve solutions.

Since participation in the real chartering markets is largely a matter of judgement, it is quite possible that there will be more than one solution to some of the problems. By allowing each group to express their views, however, it is hoped that all the best ideas will be thoroughly discussed before passing on to the next stage of the Case Study. The actual negotiating will take place tomorrow; this session will be used to review the material and to answer any questions which arise regarding interpretation of the instructions.

**Tuesday
20 March**

Session 7**Case Study: Part C****0830-0915**

The practical part of the Case Study now begins with the arrangement of a timecharter fixture. To do this, each group will be divided temporarily into shipowners and charterers, each with an authority to negotiate a three year timecharter on the best possible terms.

Session 8**Case Study: Part C *continued*****0930-1030****Session 9****Case Study: Parts B & C - Critique****1045-1130****LIQUID-BULK CHARTERING****Session 10****The Tanker Market Today****1130-1300**

During the next two sessions, the lecturer will develop:

1. What a shipowner will take into consideration when offering his tanker on the market, such as short/long voyage or period employment, final discharge vs next load position, possible return cargo, bunker purchasing options, vessel's economic speed versus full speed, etc.
2. Explanation of the Worldscale system and how the freight rate can be converted into the time charter equivalent for the owner and the cost of shipping a barrel of oil for the oil company or trader. Also considered will be the effect on the freight rate of voyages via the Cape versus voyages via the Suez Canal.

3. The composition of a firm offer for a theoretical tanker exploring:
 - full cargo/part cargo/deadfreight problems
 - loading/discharging port versus ranges/number of ports
 - various types of crudes/products/heating problems
 - various laydays/cancelling clause options
 - freight payment procedures
 - extra war risk insurance
 - demurrage stipulations
 - the most usual single voyage tanker charter party forms

Session 11
1400-1500

Tanker Chartering: The Worldscale System
This session will explain the Worldscale system which is an integral part of the chartering markets for crude and products and give examples of its use.

Session 12
1515-1615

Special Tanker Charter Party Clauses
The previous two sessions were a practical look at the day-to-day activities of a tanker chartering manager. During this session, some clauses specific to commonly encountered tanker charter parties such as the Asbatankvoy will be analysed including oil pollution cover and liability, drug and alcohol abuse clauses and ocean loss clauses. In addition, time charter party clauses with direct relevance to the wet trades will be reviewed. Many clauses inserted into printed versions of voyage and time charter parties are favoured by charterers as providing additional protection from unexpected financial loss. Oil traders were very active in producing long lists of "additional clauses" and many have become standards used by the trade today.

VOYAGE ESTIMATING

Session 13
1630-1800

Voyage Estimating Principles
In order for shipowners 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 and at the same time 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 disponent owners sub-chartering a vessel out in the spot trades

DRY CHARTERING PRACTICE

Wednesday **Session 14**
21 March **0830-1015**

The Dry Bulk Chartering Market Today
In the 1970s, oil cargoes accounted for 48% of total world trade. While the volume of oil moved today is nearly double that moved during the 1978 peak, this amounts to only 32% of total World Trade. This shift is largely accounted for by the growth of dry-bulk cargoes with a bit of help from the container industry.

It is in the dry cargo markets that the multiplicity of cargoes and ports combine to create the enormous variety of alternatives for transportation of cargo and employment of ships. It is this character of the market that makes it both

exciting and risky, and hence charterers and owners rely heavily on their practical experiences to avoid costly pitfalls.

The lecturer will be looking at two main themes, namely dry cargo chartering *per se*, in particular voyage and time chartering aspects, and specialised carriage arrangements. This latter topic is catered for by techniques such as contracts of affreightment, joint ventures, vessel pooling, cargo parcelling, operating and bareboating which, although not necessarily dry cargo oriented, are frequently to be encountered in dry-cargo trades. These subjects represent the "hard core" of the practical aspects of chartering as far as dry cargo is concerned.

Session 15**Special Dry Cargo Charter Party Clauses****1030-1130**

The previous session was a practical look at the day-to-day activities of a dry cargo chartering manager. During this session, some clauses specific to coal, grain and steel voyage charter parties will be analysed. In addition, time charter party clauses with direct relevance to the dry trades will be reviewed.

Session 16**Case Study: Parts D & E - Voyage Estimating****1130-1300**

Having fixed a vessel on timecharter, groups are now faced with the prospect of chartering out on a voyage basis. Several possible cargoes will be considered using voyage estimating principles to determine which alternative is preferred

Session 17**Legal Principles of Charter Parties****1400-1500**

The law has a significant bearing on many aspects of shipping generally and the chartering business specifically. These several lectures will discuss the legal implication of the charter parties and bills of lading. We will begin with a look at the principles of English maritime law, a system of law regularly encountered when dealing with charter party disputes. These principles derive from the law of contract as, not surprisingly, charter parties are simply that: contracts.

Session 18**Inside Charter Parties****1515-1615**

The purpose of this lecture is to establish the fundamental principles of various charter party forms, laying the foundation for chartering practices in the wet and dry bulk markets. To begin, the lecturer will review the principal charter party forms in current use and give an account of their respective advantages and disadvantages.

From time-to-time various organisations such as Bimco, FONASBA and Intertanko develop new charter party forms or update existing ones from their stable with the intention of eliminating some of the difficulties of the earlier forms. Examples of these include Gentime issued by Bimco in 1999, Multifarm 1982 introduced by FONASBA in 1983 and Intertankvoy 87 by Intertanko. None of these have achieved general use as the market often favours retaining older forms with which the players are familiar.

Many major oil companies issue their own charter parties (ExxonMobilvoy, BPVoy, Shellvoy, Shelltime) and owners wishing to carry their cargoes must accept these charterers' in-house forms. Some charterers in the oil trades do not have their own in-house charter parties and use the Asbatankvoy (1977), amending the clauses

which they do not like and adding additional ones either to cover current market practice or to satisfy their own preferences. Using several typical

charter party forms, the lecturer will look at the principal terms in voyage and time charters and provide examples of the legal interpretation of certain key phrases.

Session 19**Legal Principles of Bills of Lading****1630-1730**

The bill of lading is a most important and 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.

**Thursday
22 March****Session 20****Law Clinic Part II****0830-0930**

This session has been deliberately structured as an open forum in order to allow each participant the opportunity to pursue legal questions of direct relevance to his/her business.

POST FIXTURE: LAYTIME**Session 21****Principles of Laytime, Demurrage & Despatch****0945-1115**

The shipping adventure, namely the voyage performed for the carriage of cargo, involves four separate parts: the loading voyage (ie the passage in ballast to the port of loading); the loading operation; the carrying voyage; and the discharging operation. The two voyage stages require acts of performance by the shipowner alone and do not concern the charterer - it is the shipowner that bears the primary risk. The other two stages in the loading and discharging ports require acts of performance by both the shipowner and the charterer, and it is the interplay of these which has given rise to so many disputes under the general heading of laytime.

As an brief introduction to this important topic, this session will consider the four key questions associated with laytime and, by inference, demurrage and despatch:

1. How is laytime calculated?
1. When does the (lay)time start to run?
2. What suspends the laytime from running?-
3. When does laytime stop running?

Laytime is a very practical subject but it also causes many legal disputes. Thus it is essential to keep up-to-date with the relevant law.

This session and the next will discuss the general principles of laytime, its legal basis and through the use of various examples allow participants an opportunity to prepare laytime statements.

Session 22**Comparison of Laytime Clauses****1115-1215**

Most charter parties contain several clauses that relate to either commencement of laytime, laytime itself, demurrage or exceptions issues. Familiarity with these clauses is essential to accurate assessment of any

demurrage or despatch claim. This session will consist of an exercise where participants are asked to answer a number of important laytime questions based on a variety of charter parties.

Tour of Cambridge

1315-1515

POST FIXTURE: CARGO ISSUES

Practical Cargo Claims and the Role of the Protection & Indemnity Clubs

Session 23

1530-1700

Over the last 10 years, the level of third party claims against shipowners has increased significantly with personal injury and cargo claims accounting for a significant share of claims paid. This session will give a brief introduction to the world of P&I insurance and how the P&I Clubs structure their business. The role of the International Group of P&I Clubs in providing the mechanism whereby Clubs have built a solid reinsurance platform for the payment of large claims will be explained.

Session 24

1715-1830

Practical Cargo Claims & How to Avoid Them

This session will address cargo claims in particular and cover the following:

1. The Bill of Lading. The purpose of the Bill of Lading and the relevant terms which affect any claim.
2. Hague Rules, Hague/Visby Rules and Hamburg Rules.
3. Cargo underwriting and the practical aspects of claims handling with regard to both dry cargo and tanker claims.
4. How owners can protect themselves against cargo claims through attention to contract documentation and to operating procedures.
5. How claims are settled by negotiation, arbitration and litigation.

The presentation will address the basic principles by which cargo claims are handled and will highlight the practical approach adopted by the P&I Clubs to reduce the incidence of claims and defend owners when claims do arise.

**Friday
23 March**

Session 25

0900-1030

Practical Insight into the Documents of Fixing

By this stage in the course participants should have a clear idea about charter parties and bills of lading. The final terms of the contract for the ship (the charter party) are the end result of what can in some cases be a lengthy negotiation, especially for long-term time charters.

The exchange between the parties to the contract, usually undertaken by shipbrokers acting as agents for the principals, is conducted either by 'phone or through the internet media such as emails. The final "recap" (recapitulation) of the agreed terms of the charter party is often by email. These exchanges leading up to the final recap abound with jargon and abbreviations which can be a trap to an inexperienced broker.

This session will examine a number of real life exchanges to show how the process evolves and to interpret many of the words and abbreviations which are crucial to the final agreement.

MARITIME FRAUD

Session 26

1045-1200

Maritime Fraud & Piracy

Maritime fraud is as old as maritime insurance. During the sixty years of the publication of Lloyd's Law Reports, coverage has been given to over thirty cases of vessels being wilfully cast away or deliberately stranded. Up until the

mid-1970's maritime fraud remained a largely regional concern affecting the various shipping and insurance markets. A number of cases during the seventies, however, notably the "Lord Byron" case of 1974, and the massive Angolan frauds of 1976-77, went a long way towards convincing the shipping and related industries that maritime fraud was not a mere passing phase, and had to be tackled seriously.

Since the 1980's, the problems posed by maritime fraud have received an increasing amount of attention. IMO, the UN maritime agency, has adopted a draft resolution, and set up a working group to look into barratry and other forms of maritime fraud. IMO has also lent its support to the International Maritime Bureau, established by the International Chamber of Commerce to counter the growing incidence of maritime crime. Such an interest at an inter-governmental level was long overdue, for today's frauds have seriously threatened the practice of self regulation in the shipping, banking and insurance industries and have raised doubts about the methods of financing international trade. During the first part of this session, the lecturer will examine the way documentary frauds - those associated with letters of credit and bills of lading - have been perpetrated and what precautions shipping people should take to avoid becoming victims of the fraudsters.

The session will conclude with a look into piracy. In the early part of the decade beginning 2010, the focus on piracy was directed to the Straits of Malacca. Soon after this scourge was minimised, Somali pirates emerged as a new threat. Their mode of operation was capture of ship and crew, and then ransoming these back to the shipowner / cargo interests. The eventual acceptance of by the industry of armed guards on vessels transiting the area around Somalia finally brought this area under control. The pirate is a very adaptable species, and today we are seeing Asia under threat and in particular the waters around the Philippines.

Comments and Feedback

**Session 27
1200-1215**

Programme lecturers and timings subject to change