

# Laytime, Demurrage & Despatch

– Dry Cargo –

28 June – 1 July 2021

Online Course

Tutor

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*Each day of this four-day course will consist of three lectures of 45 minutes with two fifteen minute breaks. Classes will start at 11:00 GMT on each day and conclude at 13:45 GMT*

Organised by



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# Course Programme

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## Laytime Demurrage & Despatch – Dry Cargo –

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**Monday  
28 June**

### **Fundamental Principles Concerning Laytime**

**Session 1  
1100-1145**

#### **Part 1 - Charter Party Demurrage Versus Sales Contract Demurrage**

Charter parties exist with the ultimate objective of moving cargo. Most cargoes move through the agreement of a sales contract between a producer / shipper of the goods and a buyer / receiver of the goods. Therefore, before the charter party is finally agreed, it is most likely that an SPA (Sale and Purchase Agreement) has been concluded.

This too is a contract and it is likely to contain provisions as to how the costs of delays in the delivery of the goods are to be allocated between the parties. Whether or not this influences the charter party provisions is not of concern as the parties to the charter party have different matters to consider.

#### **Part 2 - Basic Principles of the Law of Contract**

In order to better understand the way the law of laytime and demurrage can be interpreted, it is necessary to be familiar with some of the basic tenets of the law under which the contract falls. The majority of Sale and Purchase Agreements fall under the Law of England and Wales (commonly referred to as English Law).

While charter party contracts may not be quite as supportive of English law, it is still a fact that a high percentage of charter parties are agreed under English Law. Therefore, in order to understand how or why a particular phrase in the laytime provisions may be interpreted, it is sensible to look at some of the basic principles that are the foundation of English Law.

### **Introduction to Laytime, Demurrage and Despatch**

**Session 2  
1200-1245**

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 and demurrage.

As the introduction to the topic of the seminar, this session will consider the four key questions associated with laytime and, by inference, demurrage:

1. How is laytime calculated?
2. When does the (lay)time start to run?
3. What suspends the laytime from running?-
4. 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 cases which will be presented during this session and the following ones during the seminar.

### **Commencement of Laytime and the Arrived Ship**

**Session 3  
1300-1345**

The session begins with a brief introduction to the principles of “commencement” before a more detailed look follows to clarify what triggers a voyage contract into life. Laytime itself can be specified in the charter party in a number of different way: definite, indefinite and calculable.

The clarification of the position of the NOR in the next session will lead directly to the factors which are required to enable laytime to commence. Where must the vessel be to be an "arrived ship" will be considered as will the state of "readiness" of the vessel to load and discharge the cargo.

**Tuesday  
11 May**

### **Notice of Readiness**

**Session 4  
1100-1145**

The session will begin with a look at the common law relating to the delivery of the "Notice of Readiness" – often expressed as the NOR. The common law interpretation is the basic provision of what happens when the voyage charter party is silent in regard to an NOR. It will then review a number of ways that the NOR can be expressed in charter parties in common use, and the circumstances that may cause a NOR to be invalidated. In such cases, what are the possible outcomes regarding the charter party and the actual shipment in the event that the invalidity is not recognised until after the shipment has begun.

### **Interruptions to Laytime**

**Session 5  
1200-1245**

Depending upon how the laytime is specified in the contract, certain events may occur that cause the clock to cease running for a period of time. If these events can be considered to fall within the definition of laytime, the cessation is referred to as an “interruption” to laytime, rather than as an exception. As an example, should the laytime be defined as so many “weather working days”, then the laytime clock can be paused if rain occurs, even if the vessel is not being worked.

### **Exceptions to Laytime**

**Session 6  
1300-1345**

Charter Parties frequently include express clauses interrupting laytime in the event of certain situations occurring, such as shifting between berths, strikes, lock-outs and fault of vessel. These situations and their specific clauses will be discussed during this session building upon the content of the preceding sessions.

**Wednesday  
12 May**

**Comparison of Key Charter Party Laytime & Demurrage Clauses** **Session 7  
1100-1145**

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.

**The Difference Between Demurrage and Detention** **Session 8  
1200-1245**

Problems often arise after a vessel has arrived at the load or discharge ports, but before laytime has started to run, or after the loading or discharging has ended. Such delays to the vessels will lead to a costs for the shipowner, costs that had they arisen during the active loading and discharging of the ship may have been covered by the laytime provisions. In such cases, the owner may be able to mount a claim as “damages for detention”. How this may arise and the consequences will be considered.

**Reversible / Non-Reversible Laytime / Averaged** **Session 9  
1300-1345**

When the laytime is agreed between the parties, they may have given thought as to how the time allowed for loading and discharging is to be allocated amongst the ports where the vessel will call. Several different expressions are regularly found in the business to indicate the nature of this allocation, and it is the purpose of this session to explain the different financial outcomes that may result from the choice of wording.

**Thursday  
13 May**

**Despatch All Time Saved Versus Working Time Saved** **Session 10  
1100-1145**

One final building block remains before the discussion of laytime for the dry cargo trades can be considered complete: what is the difference between “all time saved” and “working time (or laytime) saved. These expressions apply to the shipments that when completed time still remains on the laytime clock – all the agreed laytime for loading and/or discharge has not been used. When such circumstances arise, it is then the obligation for the shipowner to pay some compensation to the charterer to take account of the charterer’s efficiency in leading to the vessel being ready to for its next voyage earlier than anticipated.

A simple example will be given to illustrate the significant differences in the monies due one party to the other as a consequence of which of these options has been agreed.

**Demurrage** **Session 11  
1200-1245**

When the laytime clock indicating the agreed time for loading and discharging has expired prior to the loading or discharging having not been completed, it is the case that the shipowner may be due compensation for the “excessive” delay. If this delay falls under the laytime provisions, the payment due is referred to as demurrage.

During this delayed phase of the loading or discharging operation, events may occur which had the laytime clock not expired would have been considered as an exception to the laytime. However, it is not always the case that laytime exceptions will also be demurrage exceptions. How this difference arises and the way that the parties try to protect themselves from any harsh results will be considered.

**Session 12**  
**1300-1345**

### **The Final Reckoning**

Many a contract has concluded where the calculation of laytime ends in disagreement. Who has the responsibility of submitting the Statement of Facts and calculating any demurrage or despatch due will be explained. Associated with this final reckoning of the charter party is a responsibility to submit the claim within a certain period of time. Failure to do so may result in the claim being time barred and hence the party due recompense may be disappointed. In recent years this has become quite an issue and it is usually the shipowner who must ensure that all steps in this final process are correctly carried out in accordance with the requirements of the charter party.

### **Final round-up and Conclusion**

***Programme subject to change***