

Chartering: A Practical Approach

20-25 March 2011

Madingley Hall · Madingley · Cambridge

Organised by



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Seminar Programme

**Chartering: A Practical Approach
20-25 March 2011
Madingley Hall · Madingley · Cambridge**

Seminar Leader

Jan Lafranca · former Commercial Director · Van Ommeren Shipping

INTRODUCTION

**Sunday
20 March**

Seminar Introduction

Jan Lafranca former Commercial Director Van Ommeren Shipping and John Doviak, Director, Cambridge Academy of Transport, Cambridge

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
1400-1430**

How the Markets Work

Jan Lafranca former Commercial Director Van Ommeren Shipping

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
1430-1530**

Negotiating Charter Parties

Jan Lafranca former Commercial Director Van Ommeren Shipping

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

**Session 3
1545-1645**

**Session 4
1700-1800****Shock Negotiation**

John Doviak, Director, Cambridge Academy of Transport, Cambridge

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 5
1800-1830****Law Clinic - Part 1 - Collecting Participants' Questions**

John Doviak, Director, Cambridge Academy of Transport, Cambridge

During a later section of the course, Paul Herring, a partner with Ince & Co, 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 Paul Herring several days advance warning of any questions, more complete answers should be possible where necessary.

**Monday
21 March**

**Session 6
0830-0915****Case Study Introduction: Parts A & B**

Jan Lafranca former Commercial Director Van Ommeren Shipping and John Doviak, Director, Cambridge Academy of Transport, Cambridge

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.

**Session 7
0930-1030****Case Study: Part C**

Jan Lafranca former Commercial Director Van Ommeren Shipping and John Doviak, Director, Cambridge Academy of Transport, Cambridge

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. 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.

**Session 8
1100-1145****Case Study: Part C *continued***

Jan Lafranca former Commercial Director Van Ommeren Shipping and John Doviak, Director, Cambridge Academy of Transport, Cambridge

Session 9**1145-1230****Case Study: Parts B & C - Critique**

Jan Lafranca former Commercial Director Van Ommeren Shipping and
John Doviak, Director, Cambridge Academy of Transport, Cambridge

LIQUID-BULK CHARTERING**Session 10****1330-1500****The Tanker Market Today**

Captain Philip J Wood, Director, Trade and Transport, London, UK.

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**1515-1615****Tanker Chartering: The Worldscale System**

Captain Philip J Wood, Director, Trade and Transport, London, UK.

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**1615-1715****Special Tanker Charter Party Clauses**

Captain Philip J Wood, Director, Trade and Transport, London, UK.

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**
1730-1830**Voyage Estimating Principles**

Jan Lafranca former Commercial Director Van Ommeren Shipping

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.

Session 14
1830-1900**Case Study: Parts D & E - Voyage Estimating**

Jan Lafranca former Commercial Director Van Ommeren Shipping and John Doviak, Director, Cambridge Academy of Transport, Cambridge

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.

THE LAW**Tuesday**
22 March**Session 15**
0830-1000**Contracts of Carriage: Voyage & Time Charter Parties**

Stephen Kirkpatrick, Partner, Reed Smith, London, UK.

The purpose of these lectures 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, Multiforum 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 16
1015-1130**Contracts of Carriage: Charter Parties (continued)**

Stephen Kirkpatrick, Partner, Reed Smith, London, UK.

Session 17**Contracts of Carriage: Bills of Lading****1145-1230**

Stephen Kirkpatrick, Partner, Reed Smith, London, UK.

Session 18**Case Study: Part E (Cont'd)****1330-1430**Jan Lafranca former Commercial Director Van Ommeren Shipping and
John Doviak, Director, Cambridge Academy of Transport, Cambridge**DRY CHARTERING PRACTICE****Session 19****The Dry Bulk Chartering Market Today****1430-1630**David Cross, former Director OSG Ship Management (London) Ltd and Member of
the Baltic Exchange

Although oil cargoes account for 50% of total world trade, 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 20**Special Dry Cargo Charter Party Clauses****1645-1730**David Cross, former Director OSG Ship Management (London) Ltd and Member of
the Baltic Exchange

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.

EU COMPETITION LAW**Session 21****Chartering, Pools & Competition Law****1745-1830**

Philip Wareham, Partner, Holman Fenwick & Willan, London, UK

LEGAL ISSUES**Wednesday
23 March****Session 22****Law Clinic Part II****0830-1045**David Martin-Clark, Maritime Arbitrator, Commercial Disputes Mediator and
Insurance & Shipping Consultant

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**Case Study: Parts F-L**

Jan Lafranca former Commercial Director Van Ommeren Shipping and
Colin Pearce, Independent Tanker Consultant, Causeway Tanker Consultancy

Session 23
1045-1245**Principles of Laytime, Demurrage & Despatch**

Dr John M Doviak, Director, Cambridge Academy of Transport

Perhaps the most contentious aspect of chartering lies in the determination of laytime and consequently demurrage or despatch payments. Disputes over what appear to be these "additional" payments are not too surprising; however, what is surprising is the volume of litigation associated with laytime disputes. In an attempt to resolve some of the confusion, the Comite Maritime Internationale proposed a set of laytime definitions which can be incorporated into charter parties.

This session 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 24
1345-1515**Case Study: Part O – Timesheets & Calculation**

Jan Lafranca former Commercial Director Van Ommeren Shipping

Session 25
1530-1545**FREE AFTERNOON****POST FIXTURE: CARGO ISSUES****Thursday**
24 March**Practical Cargo Claims & How to Avoid Them - Part I**

Andrew Craig-Bennett, Deputy General Manager, Cosco Maritime Uk Ltd, Essex,
UK

Session 26
0830-1000

Over the last 10 years, the level of third party claims against shipowners has increased significantly with cargo claims accounting for about 40% of the total. These next two sessions will address the above problems and cover the following:

1. Present state of the shipping market and the reasons for the increase in the number of cargo claims. The analysis of claims prepared by the United Kingdom P&I Club will be considered.
2. The Bill of Lading. The purpose of the Bill of Lading and the relevant terms which affect any claim.
3. Hague Rules, Hague/Visby Rules and Hamburg Rules.
4. Cargo underwriting and the practical aspects of claims handling with regard to both dry cargo and tanker claims.
5. How owners can protect themselves against cargo claims through attention to contract documentation and to operating procedures.
6. How claims are settled by negotiation, arbitration and litigation.

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

Session 27**Practical Cargo Claims & How to Avoid Them - Part II****1015-1200**

Andrew Craig-Bennett, Deputy General Manager, Cosco Maritime Uk Ltd, Essex, UK

POST FIXTURE: LAYTIME CALCULATING**Session 28****Practical Laytime, Demurrage & Despatch****1330-1500**

Jan Lafranca former Commercial Director Van Ommeren Shipping

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?
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 next.

Session 29**Case Study: Part O Results & Issues Arising****1515-1700**

Dr John M Doviak, Director, Cambridge Academy of Transport and Jan Lafranca former Commercial Director Van Ommeren Shipping

MARITIME FRAUD

**Friday
25 March**

Maritime Fraud: Case Study**Session 30****0845-1015**

Capt P K Mukundan, Director, ICC International Maritime Bureau, Barking, UK

The lecturer will introduce a case study that illustrates how easily a charter party failure can occur. The case concerns a shipment of a part cargo between Spain and the Middle East. The voyage is complicated by the loading of additional cargo by the owner, and it is the untangling of the resulting web of commercial confusion which will occupy the minds of the participants as they attempt to prevent the complete frustration of the voyage.

Session 31**1030-1200****Maritime Fraud**

Capt P K Mukundan, Director, ICC International Maritime Bureau, Barking, UK

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 1970'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 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.

Session 32**1200-1215****Comments and Feedback**

Jan Lafranca former Commercial Director Van Ommeren Shipping

Programme subject to change