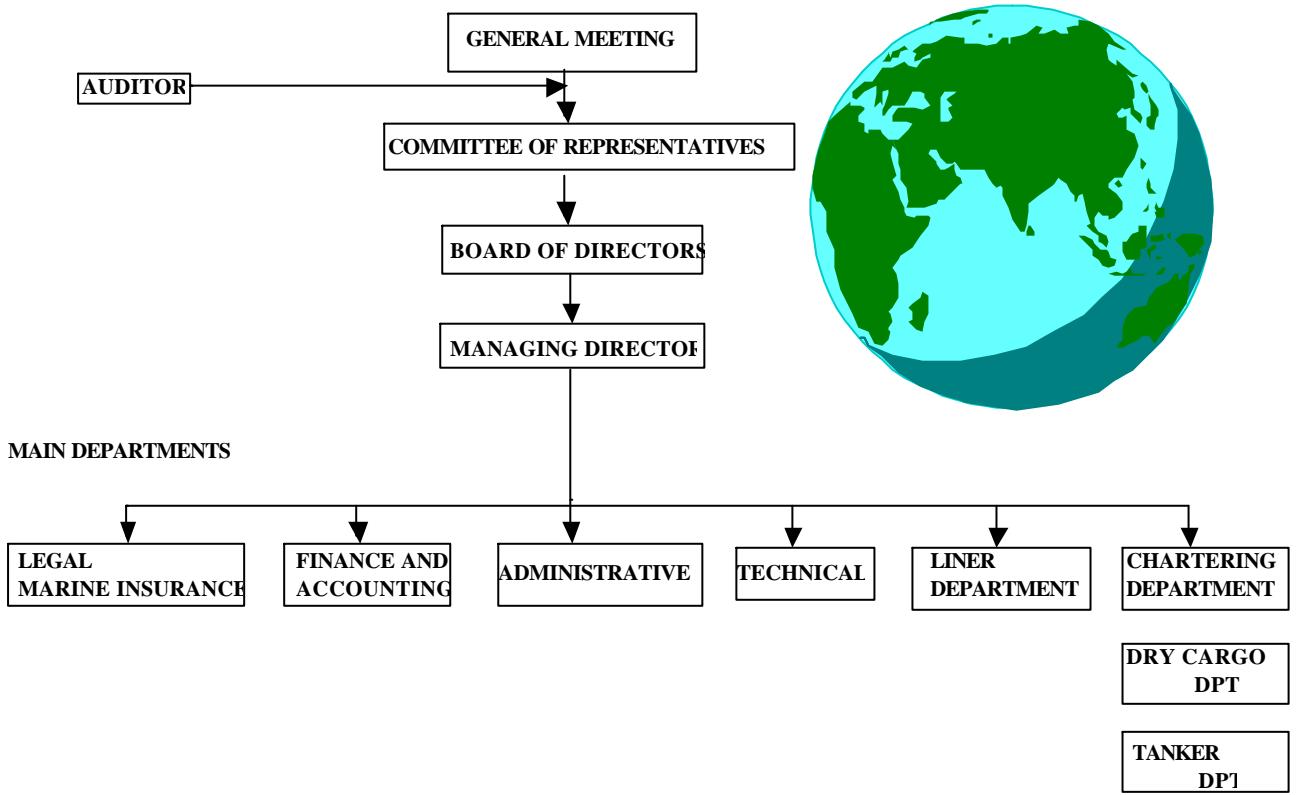


# **THE ORGANISATION OF A SHIPPING COMPANY**

## **CHARTER PARTIES**

## **GENERAL AVERAGE**



## THE ORGANISATION OF A SHIPPING COMPANY

### THE NETWORK OF BUSINESS CONNECTIONS

A bigger organization will normally consist of the head office, the ships, offices abroad and a network of business connections such as shipbrokers, agents, stevedores, etc. who frequently are independent companies with whom the big company has fixed contracts. Bigger liner companies, for instance, will normally operate with a great number of agents, the same number of stevedore connections as ports called at, and a number of special firms such as shipbrokers, lawyers, tax consultants and auditors who have standing orders according to agreement. Most shipping companies prefer to use independent firms familiar with the local conditions in each country. Partly because such firms may already be tied up with a competitor, or difficult to find, and partly because the companies have sizeable spheres of interest in the areas concerned, they have established their own offices abroad. This is particularly true of the liner companies. In this way the head office has direct control of the agents and will, for instance, be able to expand the offices abroad under its own supervision. In towns of particular importance one may find Owners' Representatives who have assignments of different kinds.

### THE SUPERINTENDANTS

Other kinds of representatives abroad are the superintendents at shipyards which build new ships on contracts. inspectors who manage repair and maintenance work, etc. Cargo Superintendents for the liner trade are also quite usual. In general there are not many of these representatives sent out from head office, and consequently they seldom create any organizational problems.

### ORGANISATION CHART

The usual aid to showing the pattern of different functions in a shipping company is tide organization chart. Such a chart is an important means of defining the areas of authority and responsibility and thus of evaluating if the organization satisfies the demands placed on it. The following chart of an imaginary shipping company shows the general assembly, the Board of Directors, the shipowner and the various main departments .

### THE FUNCTIONS OF THE MAIN DEPARTMENTS

**The Legal Department** covers a large field. Among the main functions can be mentioned Board matters, contracts for new buildings, company law, national/international taxes, purchase/sale of ships. The company lawyer is also often on the Managing Director's staff, and/or secretary to the Board of Directors. Frequently, this department will often also handle marine and other insurance matters that may arise of a legal nature .

**The Administrative Department** is responsible for the main organization, for personnel, internal services and internal control. Within all these fields a new development has taken place during the last few years. The importance of a sensible employment policy combined with systematic training has been given increased emphasis. Internal control covers the traditional auditing as well as the more detailed control work required to ensure that the organization works according to the policies laid down and within the working instructions given.

**The Finance and Accounting Departments** cover budgets, accounting, EDP and finance. Regular reports are prepared for each operational department, each ship and for the company as a whole. The management needs to keep the Accounting Department up to date with operational proceedings at all times, with changes and corrections when necessary.

Computers have been used for a long time in modern shipping companies and for different purposes. Computers are indispensable as an advanced technical aid in the office, also for complicated techno/ economic calculations and for budgeting in the operational and liquidity area.

During the last few years long range planning has also been taken up as a subject of business administration. The reporting of the economic results should follow the organization chart and will, if correctly done, be of prime importance to the management, for the organization's mode of operations and for the control of the results. Financial questions will always be vital to any shipping company. To arrange finance when building new vessels and to find the highest interest for liquid working capital are main activities together with follow-up of the unstable currency markets and protection against currency losses.

**The Technical and Marine Departments** take care of fleet management, including ship operations, manning, storing, repair and maintenance and dockings. The departments are also usually responsible for building of new ships, often organized in a new-building section. Project development with optimization studies and operational analysis is done in cooperation with other departments, mainly the shipping departments. For Project developments EDP is increasingly becoming a useful tool.

**The Marine Insurance and Claims Department** handles ship insurance, statistics of damage and makes preparations for adjustments of claims. All claims relating to damage of the cargo are handled in this department. These claim adjustments cause considerable work, particularly within the liner trade.

### **The shipping and chartering departments**

**The Liner Department.** From an organizational point of view it is of interest to observe that the liner trade seldom operates under the supervision of one company alone. There are many different types of cooperation. In some cases the owners put their ships at the disposal of a separate joint venture company which manages the operations. In other cases they may participate as partners in a co-sailing agreement, possibly also with a pool agreement. Usually this takes place within the framework of a liner conference, where all the shipping companies serving the trade in question participate.

No matter how the cooperation is arranged, it includes marketing and booking of cargo, allocation of space, responsibility for routeing, documents, port facilities, loading/discharging, control of port expenses, stevedore contracts, etc.

**Tanker and Dry Cargo Department** arrange employment for the vessels and are also responsible for their operation. These departments are frequently referred to as Chartering Departments. The tanker

department will usually handle bunker contracts for the company fleet. In the organization chart the interaction between the main department and the subdepartments is shown by the lines of authority. This authority goes down from the shipowners, through the main departments and down into the organization. The lines show how the instructions for the company are transmitted from the shipowners through the different links. All department heads are fully responsible for their own activities and they must therefore be fully familiar with all matters concerning their departments so as to be capable of managing and making decisions. Information, messages, tasks, proposals, etc. follow the formal lines of communication. This is the main principle, but modifications occur.

**Other departments.** Department for other activities reflects the fact that many shipping companies have assumed other shipping related activities within their organization, such as agencies activities, forwarding, travel agency, and in recent years, offshore activities. Shipping companies will frequently build their organization around key personnel and the dividing lines between the departments might therefore be very different from those mentioned above. Shipping companies should also be aiming at flexibility in their organizational development, as changing conditions in the world market might make it necessary to reorganize or set up new departments to cater for new trades or ventures.

## CHARTERING AND CHARTER - PARTIES

A chartering broker may be described as an intermediary between the shipowner and the merchant or the cargo owner. His knowledge must be extensive in order that he may cope with all requirements of his business; he must have a sound knowledge of shipping law, geography, port information, charges throughout the world, facilities at different places, distances between ports, and countless other matters. It also stands to reason that he must be of the highest character.

He acts between a shipowner who has tonnage idle, and a cargo owner who has a cargo which he wishes to be transported. He engages space for cargo and arranges the whole of the business details between the principals, receiving for his services the commission agreed under such an arrangement.

When he fixes a contract of this nature it is known as a charter-party, of which there are three classes: voyage, time, and bareboat or demise. The charter party is a contract of affreightment, and for voyage charters is an agreement for the carriage of goods from one specific port to another, the owner of the vessel receiving freight for the cargo carried. In the case of time and demise charters, both of these contain a contract whereby the vessel is actually hired for a specific period of time, during which period the charterer has the freedom, within the stipulations of the charter-party conditions, of using the vessel for what purposes he may wish. In a demise charter the ownership to all intents and purposes changes hands for the period of the contract. The payment in this case is for the hire of the vessel, and an agreed amount is paid per month or per day for the use of the vessel.

While in the case of bill of lading shipments standard rates are charged, the rates for chartered ships fluctuate according to the state of the market, it being the tendency for rates to be high during busy periods, when tonnage is scarce, and low in slack times when idle ships are plentiful.

The arrangement of a charter-party is known as "fixing" a charter and when this is completed the vessel is termed "fixed".

Before proceeding to describe the contents of a charter-party and the meaning of clauses, there are several types of "days" which are mentioned in chartering, and definitions of these are:

**Laydays** Days agreed for loading and discharge. They may be separated into days for loading and days for discharge, or if agreed a total taken for the two operations, when days are then known as reversible laydays. This is the time allowed under the charter-party, and a note of the agreed number of days will be shown in the charter-party.

**Weather working days** Days for loading and discharge when the weather permits. Where weather working days are allowed, and work is commenced, time ceases to count if the work is held up owing to bad weather, or if weather makes the possibility of a start impracticable for the day. This applies only when work would otherwise be carried on.

**Running days** Consecutive days, counting all days. Saturdays, Sundays, Bank Holidays, etc, the same.

**Working days** In England a day of eight hours constitutes a working day, therefore a 24 hour day

would be considered as three working days (if work is continuous), but in foreign countries this would alter according to the number of hours which constitute a working day in such places.

**“Days”** It cannot be strongly enough emphasized that many troubles arise through careless wording of what is meant by “days” in a charter-party . It must be specified exactly how they are to count.

Before fixing a charter-party the essential details that are required to be known are:

Draught of vessel.

Size of holds (in order to be sure of the space available for cargo).

Particulars of derricks and/or cranes on the ship. Their position and individual lifting capacity.

Bunker capacity.

Fuel consumption.

Rate of loading and discharge and approximate weight to measurement of cargo.

Loading and discharge ports.

Date of readiness.

For all charter-parties the following clauses are essential.

-Title of contracting parties. Names of the charterer and owner of the ship.

-Name of the vessel and warranty of seaworthiness. The warranty of seaworthiness may be in the form of the words “good ship” with the class of the vessel added, e.g. good ship called the .... classed 100 A1 at Lloyd's.

It is well to remember that once a vessel has commenced loading the charterer cannot demand cancellation for unseaworthiness. Also, that although a ship may be 100 A1 at the start of the voyage, there is no obligation on the owners to keep this class during the period of the charter-party.

-Description of the vessel. This is only contained in the gross and net tonnage of the vessel.

-Loading and discharging ports. For a time charter this would not apply, as with a vessel being hired for a stated period there is no necessity or desire for the owner to know where the vessel is to load, and instead the time charter contains date of delivery of ship and date of redelivery, these being the two dates between which the charterer hires the vessel.

-Cargo to be carried. In a voyage charter this is stipulated together with the amount of cargo to be carried. This, again, is not necessary in a time charter, with the exception of the term “any lawful merchandise”, but the radius of trading is inserted. Radius of trading is usually very broad, and a term similar to “World-wide radius, ice bound ports excepted” may be the only reference to this point.

-Position of the vessel. For voyage charters. A statement which must be perfectly correct in detail. If the owner states that the ship is “now at Antwerp” and it is proved later that the vessel was not at Antwerp, charterers may claim cancellation of the charter-party. In a time charter the date when the vessel will be ready and place of delivery is given in place of the above clause.

-Remuneration. For voyage charter-parties freight is paid on the amount carried, but for time

charters the payment is by hire for the period of the engagement.

-Laydays and how they count. This clause applies only to voyage charter-parties, as an owner is not concerned with the time that a vessel on time charter spends in loading and discharge.

-Days of demurrage and dispatch and the rate. The preceding explanation also applies to this clause. Should a vessel load and/or discharge in less than the prescribed time, owners of a ship pay dispatch money as a “reward” for time saved. If, on the other hand, the time allowed is exceeded, then demurrage is payable at an agreed rate to the owner as “compensation” for lost time.

- Brokerage clause. States the rate of brokerage that shall be paid.

-Lien clause. Giving owners of the vessel a right to hold cargo against payment of freight or hire.

-Exemptions from liability clause. This clause includes many occurrences from which owners claim exemption. A few of these exemptions are:

1) Act of God.

2) Barratry. Any wilful wrongdoing of the master and/or the crew without the connivance of the owners. Actions of the master or the crew without the intention to defraud owners, or actions which cannot be described as criminal, are not included under this heading.

3) Capture and seizure. Acts of taking the ship by an enemy or belligerent, or the forcible taking of the ship.

4) Queen's enemies. Opposition forces of the Crown. The ship's nationality is its flag, and this clause may be read as any enemy of the country of the ship's nationality.

5) Restraint of princes. Every case where the voyage is interrupted by the supreme power of the country, such as an embargo, or prohibition of cargo.

6) Perils of the sea.

-Average clause. This clause states that general average, if any, shall be payable according to York-Antwerp Rules. As there are four sets of rules, the 1924, 1950, 1974 and 1994 the date must follow. The rules issued later did not cancel the earlier codes, although 1974 or 1994 rules are generally adopted.

-Arbitration clause. This sets out that any disputes shall be referred to arbitrators, and gives the conditions under which arbitration shall be carried out.

-Penalty for non-fulfilment clause. Gives the amount to be paid for default in carrying out the charter-party agreement.

-Sub-letting clause. This clause gives or refuses permission for the vessel to be sub-let, or sub-chartered under the charter-party.

The time charter-party clauses usually incorporated are as follows:

-Clause as to who pays fuel and port charges. This clause stipulates that all charges including the above are to be paid by the charterer.

-Provision that time ceases on breakdown. Commonly known as the “breakdown clause”, it is

inserted to adjust the hire when by reason of a breakdown the vessel ceases to operate. If by breakdown of machinery the vessel ceases to operate, the charterer is entitled to some return for lost time. The stipulation is usual for a period in excess of twenty-four hours, after which time ceases to count, and the charterer is credited with such time lost by the breakdown in his settlement for hire of the vessel.

-Return of overpaid hire if vessel is lost. Essentially a time-charter clause, stating that, should the vessel be lost, hire shall cease to be chargeable, and any amount overpaid shall be returned.

-Charterer's obligation to provide master with full sailing directions. The master, in order to carry out instructions, must have full directions, and failure on the part of the charterer to supply these may entail delay and lost time.

The third list of clauses which are clauses a voyage charter may contain is:

-Limitation of liability clause. Known widely as the "cesser clause", it stipulates that "Charterers' liability shall cease on the loading of cargo, and qualified payment of freight, dead freight and demurrage". When the charterer has loaded the cargo and paid the charges incurred his liability ceases.

-Description of cargo. This is phrased as "The charterer shall load a full and complete cargo of .... not exceeding ..... tons, not less than ..... tons". A full and complete cargo may be described as a quantity sufficient to sink the vessel to her load line in excess of tackle, provisions, furniture, etc.... The two quantities are stipulations between which any amount constitutes a full and complete cargo.

-Options of other ports and cargoes. Gives permission for the vessel to carry other cargo than that fixed in the charter-party, usually, however, at the same rate of freight, and also the option of calling at other ports for loading and discharge.

The principal disputes which arise in connection with charter-party agreements are usually with reference to the meaning of clauses, and the ambiguous way in which they are drawn up. Protection and Indemnity clubs are always anxious that owners shall wherever possible fix ships upon some recognized charter-party form, in order to avoid possible extra liability.

When a printed form is adopted, however, the conditions as printed may be altered or amended to suit the circumstances of charterer or owner, in which case alterations are made to the existing print. In these cases the written clauses and amendments always overrule the printed conditions; such alterations must, however, be made with care, as the alteration of one clause may lead to alteration through contradiction of many others.

Several points raised in connection with charter-parties are given below

**Always afloat.** Meaning that the vessel shall remain afloat during the whole of her loading and discharge, and shall at no time rest upon the bottom of the river or dock.

**"Redelivered in like good order and condition".** Charterer must redeliver the ship after the period of the time charter has elapsed in the same condition as when he accepted her, with the proviso "fair wear and tear excepted". All damage must be repaired if it occurs whilst under charter.

**Representation or misrepresentation.** Occasions arise where incorrect particulars are given in the charter-party, and any claims which may arise are judged upon the extent of such representation and its effect on the contract.

In voyage charter-parties it is recognized that notice of readiness or advice to the charterer that the

vessel is ready to load in accordance with the terms of the agreement shall be given. This notice must be given before the laydays start to count, and may not be given until the ship is actually ready in all respects. This means that the ship must be ready to receive the cargo, and failure to have all holds ready even though only one or two may be worked for the reception of cargo makes the vessel unready. In the case of grain charter-parties, shifting boards or alternatives, which are to prevent the grain moving on voyage, must be provided and be ready for use at the same time as the vessel, to claim perfect readiness.

The charterer must arrange to supply his cargo when the ship is ready to load, and any delay is for his account; when his lay days are used, demurrage is charged for any extra time incurred. Any delay which may occur outside the charterer's control, as transport to the ship, is no defence for the charterer. Should however, a strike or some change in circumstances of a like nature arise which makes the carrying out of the charter-party impossible, then the charter may be considered to be frustrated by delay.

When the charterer supplies the cargo, the master must take same on board with all reasonable speed, expressed in the term "as fast as ship can load". The supplying of the cargo is generally considered to mean supplying the cargo alongside the ship, or within reach of the ship's gear.

All terms and conditions of bills of lading issued under a charter-party are controlled by the charter-party terms and the clauses of a charter-party overrule the terms of a bill of lading, unless bill of lading is endorsed to third party.

## **MOST COMMONLY USED CHARTER PARTY FORMS**

## I- VOYAGE CHARTERS

CODENAME	TRADE	REMARKS
GENCON	General purpose	BIMCO form, box layout available
FERTIVOY	Fertilisers	
C'ORE'7	Iron ore	Full name: Mediterranean Iron Ore C/P
OREVOY	Iron ore	BIMCO form with box layout
AMWELSH	Coal	Americanized Welsh Coal C/P; used widely
GRAINVOY	Grain	BIMCO form
NORGRAIN 73	North American grain	American form
AUSTWHEAT	Australian wheat	Australian Wheat Board form
AFRICANPHOS	Moroccan phosphates	Charterers' form
NUBALTWOOD	Timber	Used in Baltic trade
BEEPEEVOY	Tanker	BP form; used by many companies
SHELLVOY	Tanker	Shell form; used by many companies
INTERTANKVOY	Tanker	Intertanko form; used by independent owners
ASBATANKVOY	Tanker	American form
CHEMTANKVOY	Chemicals	BIMCO form; box layout

## II- TIME CHARTERS

CODENAME	TRADE	REMARKS
BALTIME	Dry cargo tramp or liner	BIMCO form; box layout
LINERTIME	Dry cargo liner	BIMCO form; box layout
NYPE	Dry cargo tramp or liner	Most commonly used time form
ASBATIME	Dry cargo tramp or liner	American form
SHELLTIME	Tanker	Shell form; widely used; various versions
BEEPEETIME	Tanker	BP form; widely used; various versions
TEXACOTIME	Tanker	Texaco form; various versions
INTERTANKTIME	Tanker	Intertanko form; used by independent owners
SUPPLYTIME 89	Offshore service	BIMCO form
SHELL VESSEL TIME	Offshore service	Shell form; 1986 revision of SHELLSUPPLY
BEEPEESUPPLYTIME	Offshore service	BP form; various editions
HEAVYCON	Heavy lift	BIMCO form
SLOTHIRE	Slots on containerships	BIMCO form

## III- BAREBOAT OR DEMISE CHARTERS

CODENAME	TRADE	REMARKS
BARECON A	Short-period chartering	BIMCO form
BARECON B	Long-term chartering	BIMCO form
BARECON 89	Amalgamation A and B	BIMCO form

## CHARTERING

<b>BAREBOAT CHARTER</b>	<b>TIME CHARTER</b>	<b>VOYAGE CHARTER</b>
Master appointed by charterers Owners do not act as carriers Entire ship's capacity Hire depends on duration of charter	Master appointed by owners Owners do not act as carriers Entire ship's capacity Hire depends on duration of charter	Master appointed by owners Owners act as carriers Full or part cargo Freight depends on quantity of cargo
<b>For account of Owners</b> Depreciation Insurance/Survey (unless otherwise agreed) Brokerage, if any	<b>For account of Owners</b> Wages Provisions Maintenance/Repairs Stores/Supplies/Equipment Lubricating Oil Water* Insurance/Survey Overhead Charges Depreciation Brokerage, if any Part of claims*	<b>For account of Owners</b> Wages Provisions Maintenance/Repairs Stores/Supplies/Equipment Lubricating Oil Water Insurance/Survey Overhead Charges Depreciation Fuel Port Charges Stevedoring Charges* Cleaning of Holds Dunnage Ballast (if any) Commissions/Brokerage Claims
<b>For account of Charterers</b> Wages Provisions Maintenance/Repairs Stores/Supplies/Equipment Lubricating Oil Water Insurance/Survey (unless otherwise agreed) Fuel Port Charges Stevedoring Charges Cleaning of Holds Dunnage Ballast (if any) Commissions/Brokerage on cargo only Claims	<b>For account of Charterers</b> Fuel Port Charges Stevedoring Charges Cleaning of Holds Dunnage Ballast (if any) Water* Commissions/Brokerage on cargo only Part of claims*	<b>For account of Charterers</b> No expenses, unless according to the C/P stevedoring expenses are partly or wholly for charterers' account*

\* Dependent on the conditions of the C/P

## **CHARTERING ABBREVIATIONS**

AA: Always Afloat

AAAA: Always Afloat And Accessible

ADCOM: Address Commission

AH: Antwerp/Hamburg Range

APS: Arrival Pilot Station

AR: Antwerp/Rotterdam Range

ARA Antwerp / Rotterdam / Amsterdam

A/S: Alongside

ATDNS: Any Time Day Or Night Shine

BA: Buenos Aires

BB: Ballast Bonus

BB: Bare Boat

BB: Below Bridge

BBB: Before Breaking Bulk

BBCP: Bare Boat Charter Party

B/C: Bulk Carrier

BDI: Both Dates Included

BENDS: Both Ends

BIZ: Businesss

BKRS: Bunkers

B/L: Bill of Lading

BW Brackish Water

BWAD: Brackish Water Arrival Draft

BWT: Bleeding Wing Tanks

CAD: Cash Against Documents

CAN: Canadian/Canada

CANDF: Cost And Freight

CC: Cubic Capacity

CHOP: Charterers' Option.

CHOPT: Charterers' Option

CHTRS: Charterers,

CIF: Cost Insurance And Freight

CIF & E: Cost, Insurance, Freight And Exchange

C/O: Certificate of Origin

COD: Cash On Delivery

COM: Commission

CONSECS: Consecutive Voyages

C/P: Charter Party

CPDD: Charter Party Dated

CQD: Customary Quick Despatch

CT: Contract

CUFT: Cubic Feet

CU: Cubic Feet  
DAP: Days All Purposes  
DD: Dated  
DD: Drydocking  
DELY: Delivery  
DES/DEM: Despatch/ Demurrage  
DHDATSBE: Demurrage Half Despatch All Time Saved Both Ends  
DHDWTSBE: Demurrage Half Despatch Working Time Saved Both Ends  
DISCH: Discharge  
DISOPS: Discharge Operations  
DO: Diesel Oil  
DO: Delivery Order  
DOP: Dropping Outward Pilot  
DT: Deep Tank  
DW: Deadweight  
EIU: Even If Used  
ERTL: Expected Ready To Load  
ETA: Expected Time of Arrival  
ETC: Expected To Complete  
ETD: Expected Time of Departure  
ETR: Expected To be Ready  
EXCL: Excluding  
EXPLIFT: Expected to Lift  
EXPLOAD: Expected to Load  
FAA: Free Of All Average  
FAE: Free Alongside Elevator  
FAS: Free Alongside Ship  
FD: Free Discharge  
FDD: Freight Demurrage Despatch  
FH: First Half  
FHEX: Fridays And Holidays Excepted  
FIFO: First In, First Out  
FIO: Free In And Out  
FIOS: Free In And Out And Stowed  
FIOT: Free In And Out And Trimmed  
FLOP: Full Loading Options  
FO: Fuel Oil  
FOB: Free On Board  
FIOST: Free In And Out, Stowed And Trimmed  
FOC: Flag Of Convenience  
FOG: For Our Guidance  
FOLL: Following  
FOQ: Free On Quay  
FOW: First Opening Water

FPA: Free of Particular Average  
FRT: Freight  
FWAD: Fresh Water Arrival Draft  
FYG: For Your Guidance  
GA: General Average  
GD: Geared Vessel  
GRN: Grain Cubic  
GRT: Gross Register Tonnage  
GTEE: Guarantee  
GW: Gross Weight  
HDWTSBE: Half Despatch Working Time Saved Both Ends  
H/H: Holds / Hatches  
HM: Hull And Machinery  
HR: Hampton Roads  
HRS: Hours  
HSS: Heavy Sorghums And/Or Soyas  
IFO: Intermediate Fuel Oil  
INC: Including  
INFO: Information  
IWL: Institute Warranty Limits  
LAYCAN: Laydays/Cancelling  
LB: Pound  
LBS: Pound Sterling  
LDG: Loading  
LDN: London  
LDYS: Laydays  
LH: Last Half  
LL: Lakes, St Lawrence  
LOA: Length Over All  
LPP: Length between Perpendiculars.  
LT: Long Tons  
LTSBE: Laytime Saved Both Ends  
ML: More Or Less  
M/M: Minimum / Maximum  
MIN/Max: Minimum / Maximum  
MOL: More Or Less  
MOLOO: More Or Less Owners' Option  
M/R: Mate's Receipt  
M/S: Motor Ship  
MT: Metric Ton  
M/T: Motor Tanker.  
M/V: Motor Vessel  
NAABSA: Not Always Afloat But Safe Aground  
NOLA: New Orleans

NOPAC: North Pacific  
NOR: Notice of Readiness  
NRT: Net Register Tonnage  
NWP: Next Working Period  
NYPE: New York Produce Exchange  
OBO: Ore Bulk Oil  
OO: Ore/Oil  
OO: Owners' Option  
OSO: Ore, Slurry, Oil  
O/T: Overtime  
PC: Per Cent  
P AND C: Private And Confidential.  
PD: Port Dues  
POD: Paid On Delivery  
PPT: Prompt  
PT: Port  
PUT: Port Utilization Tax  
RC: Running Costs  
RDAM: Rotterdam  
REDELY: Redelivery  
REF: Reference  
REV: Reverting or Revert  
RGDS: Regards  
RGE: Range  
RPT: Repeat  
RV: Round Voyage  
SATAFEX: Saturday Afternoon Excepted  
SAVED BENDS: Saved Both Ends  
SB: Safe Berth  
SBAA: One Safe Berth Always Afloat  
SHEX: Sundays And Holidays Excepted  
SHINC: Sundays And Holidays Included  
S/O: Sellers' Option.  
SOF: Statement Of Facts  
SOL: Shipowners' Liability  
SP: Safe Port  
SR & CC Strike, Riot And Civil Commotion  
SS: Steam Ship  
SSW: Summer Salt Water  
ST: Short Ton  
ST: Straight Time  
ST: Self-Trimming  
STEM: Subject To Enough Merchandise  
SUB: Subject

SUB: Substitute  
SW: Salt Water  
SWAD: Salt Water On Arrival Draft  
TARV: Transatlantic Round Voyage  
TBA: To Be Advised  
TBC: To Be Chartered  
TBN: To Be Nominated  
T/C: Time Charter  
TDA: To Day  
TDY: To Day  
TDW: Ton Deadweight  
THKS: Thanks  
TIP: Taking Inward Pilot  
TOM: Tomorrow  
TPI: Ton Per Inch  
TST: Top Side Tanks  
UU: Unless Used  
USD: United States Dollar  
VOY: Voyage  
VSL: Vessel  
WA: With Average  
WCCON: Whether Customs Cleared Or Not  
WGT: Weight  
WHR: Warehouse Receipt  
WIBON: Whether In Berth Or Not  
WIPON: Whether In Port Or Not  
WIFPON: Whether In Free Pratique Or Not  
WOG: Without Guarantee  
WP: Weather Permitting  
WPA: With Particular Average  
WPAGW: Weather Permitting All Going Well  
WRO: War Risks Only  
WWR: When Where Ready

## A CHARTER-PARTY NEGOCIATION

By Andrew Wallace

In order to give an insight into the business of fixing vessels with cargoes, this article proposes to take the reader through a series of a few imaginary but possible steps in the preliminary negotiations which might take place for a dry cargo vessel ballasting its way up to the continent. Tanker fixing is similar but much more streamlined (and possibly aggressive) but the underlying two-way negotiations are the same. The Baltic Exchange is used to acquaint member brokers with available vessels and cargoes, the initial step being to put a cargo together with a ship, and if suitable to try an initial offer to test the charterer's reaction. Gone are the days when charterers chased the vessels for their pressing cargoes, the market having been in their favour for a considerable time now. The order which we have picked out from the "circulars" could read as follows:

*5,750 metric tons min/max bagged wheatflour  
Rotterdam Benghazi  
15/20 March  
fios  
5% Gencon.*

Brr . . . brr . . . brr . . . brr . . . "Hello, could I speak to Jim H. please? . . . Hello Jim, how are things? Sorry I missed you on the Baltic but I'm working this vessel and had to take a call in the office. Listen, about your bagged wheatflour from the Continent, I've got a 6.500-tonner ballasting back from the Mediterranean, tweendecker, which could make the dates as things look at the moment. Who are the charterer?..... You can't say but they are first class . . . OK. I'll take your word for it at the moment but my owner will probably want to know who they are before tying anything up. What do you think it will pay Jim? Be honest, for once in your life! About \$10 . . . I see . . . well I'll let the owner know straight away and see if I can get an offer out of him because he could well be interested. Commission's a bit on the high side isn't it?... Oh, I see it's one of these 5 per cent address jobs . . . Well that will make it 7 1/2 per cent to my owner and he's not keen on paying much over 5 per cent. Anyway, Jim I'll talk to him and try to get back to you today if possible. Oh, hang on a minute, what's the loading/discharging rate likely to be?... All purposes, fifteen days try less. OK. mate, I'll be back to you. In case you get the ship elsewhere Jim it's the *Arthur Strobes*. Cheers."

Scanning through the Baltic circulars from relevant broking houses this appears to be the most suitable cargo for the imaginary vessel which we are working although in practice there are likely to be several other possibilities which would have to be checked out in the same manner and put to the owner for his consideration. With a vessel ballasting back from the Mediterranean, cargoes could be worked from South or North Spain, the U.K., Continent or Scandinavia depending on the ship's current position, but for the sake of convenience it will be easier to consider this order as the most interesting to the owner. Different brokers usually cover different areas, and a habitué of the Baltic will know exactly who to contact for suitable cargoes. To be safe, however, virtually all the circulars

will be gathered as an owner's broker will be working several ships at once, or at least he will be trying to!

As a competitive broker it is now a matter of some urgency to put the cargo before the owner as soon as possible (within minutes if it is fresh order and to try and interest him in what one considers to be suitable employment for his vessel.)

"Hello, Mr Ratpai, I've got a possibility for the *Arthur Strobes* from Rotterdam on our dates . . . to Benghazi, yes . . . oh, you've already had the order this morning through Greece. What is the total commission Mr Ratpai? 8 3/4 per cent, well I can give you the order at a total of 7 1/2 per cent as a close friend of mine is direct with the charterers. Apparently it will pay in the region of \$ 10 but I noticed in Lloyd's that rates are moving very slightly on the Continent so we could perhaps try little more. Try \$ 18 per ton? No, Mr Ratpai I think we would be wasting everyone's time at that rate, to be quite frank, as we would just be declined without counter. Well, I think we could go in at around the \$14 mark aiming at somewhere in between. Yes I can take an offer. . . this morning would be best in case there is too much interest in the cargo. After all it's still a charterer's market. I'll await your call then Mr Ratpai... goodbye."

The next move in the progressive chain of events is an inactive one, that of awaiting a firm offer of the vessel concerned. The charterer's broker can be contacted in the meantime to keep him aware of the fact that an offer is imminent and to keep abreast of any developments that may be taking place as far as the charterer is concerned. For example, whether the order has since been withdrawn, if the charterer is working other tonnage or if the cargo stem is confirmed for the quoted dates. For a truly "competitive broker", i.e. one who has no "tied" vessel or charterer, this is a crucial time spent waiting to see if the owner concerned has decided to work his particular channel. There are still many problems ahead, of course, but a firm offer at a realistic rate is a start.

Today we are lucky, it is 11 a.m. London time and I am wanted on the telephone. Apparently a firm offer."Hello Mr Ratpai, thank you for calling. I gather you have an offer for me. I'll take it down now, for reply say 1 400 hours London time?

*M V. Arthur Strobes, German-flag*

*6,498 d.w.t. built 1986*

*Tweendecker, 3 holds/hatches*

*340,000 cu. feet bale*

*Cargo gear: 1 x 15ton, 4 x 8ton, 6 x 5ton*

*1 safe berth Rotterdam to 1 safe berth Benghazi*

*10/20th March laydays cancelling*

*6,500 metric tons bagged wheatflour*

*10 per cent MOLOO (more or less owners option)*

*\$14.50 fio and stowed*

*10 days all purpose SHinc (Sundays/holidays included)*

*Demurrage \$2,700 daily or pro rata*

*Time to count WIBON (whether in berth or not)*

*100 per cent freight pre-paid*

*Subject further details*

*Genccon c/p 7 1/2 per cent total commission*

"Thank you Mr Ratpai, I'll put this across straight away and do my best to get you a counter

within time."

Bingo! The broker is now undervay and can put the offer to the charterer's broker immediately, at 6 1/4 per cent commission, hoping for a reply before 2 o'clock in the afternoon. Until that time we have the vessel firm to us, and it cannot work other business which may be put to it in the meantime. To avoid delay we will assume that Jim H. accepts the offer on behalf of the charterer and comes back with a counter at 13.30 hours, within time. If the charterer came back immediately saying "confirmed", an extremely unlikely occurrence, to all intents and purposes the vessel would be fixed, subject of course to charter party details upon which many a fixture has fallen down. More likely, a series of protracted negotiations will now take place, possibly well into the night or the next day, before even the rate for the cargo is agreed. As far as we are concerned the charterer has come back as follows:

For reply 17.00 hours London time today

*M.V. Arthur Strobes as described*

*1-2 safe berths Rotterdam*

*1-2 safe berths Benghazi*

*15/20 March*

*5,750 metric tons min/max bagged wheatflour stowing, 54 cu. ft. per m. ton*

*\$ 10 per metric tons fio and stowed*

*15 days all purposes SHex (Sundays/Holidays excluded)*

*Demurrage \$ 1,800 daily or pro rata*

*80 per cent freight payable within 3 days signing/release bills of lading*

*Vessel guaranteed not blacklisted by Arab countries*

*Subject further details*

*Gencon 6 1/4 per cent*

As far as counters go it's not too bad and the charterers have come back firm to the vessel for the next 3 1/2 hours with conditions much as they had stated on the order. They are thus showing an initial interest in the ship obviously considering that the rate/terms are not too far apart to negotiate. This sort of reply would indicate, unless the market was wholly in favour of the charterers with a queue of vessels waiting to offer, that they are willing to concede more than the \$10 per metric ton and perhaps on the laytime as well, but certain points such as the Arab black-list clause and possibly the min/max quantity they will certainly insist upon. Forever optimistic, we put this immediately to the owner, who now has to recalculate on a quantity of 5,750 metric tons, which is equivalent to 310,500 cu. feet leaving the vessel 30,000 cu. feet light of a full cargo. For arguments sake, let us say that he can accept the lower quantity but this means his minimum rate of the business has gone up by 75 cents to \$12 per metric ton. A reply is forthcoming as follows, for a reply 17.30 hours:

Owners accept charterers offer except for the following:

*12/17 March*

*\$ 14.00 per metric ton fios*

*12 days all purposes SHinc*

*Demurrage \$2.500 daily or pro rata*

*90 per cent freight payable within 3 days signing/releasing bills lading*

### **Subject further details Gencon 7 1/4%**

In this reply, the owner has already conceded several points, such as the possibility of charterers sending the vessel to two berths in each port. He has shaded his dates slightly, possibly having contacted the master in the meantime for a more accurate ETA Rotterdam, he has accepted the lower quantity although this has made him stick slightly on the rate and he is showing a willingness to meet the charterers on freight payment and demurrage clauses.

All other things being equal, this sort of negotiation will eventually proceed to an agreement on both sides with regard to the outstanding points of the date, rate, laytime, demurrage and freight payable etc. A typical conclusion could be the charterer's acceptance of the 12/17th March vessel's dates, adjusting their original stem to suit the *Arthur Strobes*; an eventually agreed rate of \$12.25 per ton which is just over the owner's minimum rate but slightly higher than the charterers initially expected due to a rising market on the Continent; a total laytime of 14 days all purposes (weather working days of 24 consecutive hours) with loading/discharging time reversible: a demurrage say of \$ 2,200 daily or pro rata; and the freight payable clause as in the owner's last offer with the balance on completion of discharge together with any settlement of demurrage/despatch claims. Having agreed these terms it is now worthwhile proceeding with the charter party alterations and extra clauses. One of the problems on a market such as the current one is that charterers have had it "their way" for a considerable time and there are likely to be a number of additional terms to the Gencon charter party in charterer's favour which the owner can do little about avoiding. In some cases where charterers have insisted on "their charter party being accepted without question and an owner tries to negotiate the terms, they merely turn to the next owner who is likely to be more obliging.

In this case, we assume time lost in waiting for a berth does count as laytime, while the time counting clause provides for Saturdays/Sundays and holidays not to count as loading laytime unless used in which case only such time as actually used to count as laytime. In Libya the equivalent weekend would run from Thursday at noon until 8 a.m. Saturday, so local holidays and stevedoring activities must be reckoned with in this sort of clause. For example there is little point in fixing a vessel to Saudi Arabia during Ramadan unless provision has been made for the fact that the cargo is unlikely to be unloaded for some time. Other clauses will be included to cover the charterer's cargo such as the vessel to be hold clean and dry, free of smell and living insects etc..., and dunnage, paper/plastic to protect the bags from condensation on the ship's hull to be for owner's account. These will all be negotiated but as previously mentioned the owner may have to accept the majority of them.

In this simplified example of the sort of preliminary negotiations which take place no problems have immediately reared their heads, but the pitfalls are many and deep and the wary broker considers all of the possible dangers when negotiating the terms of the charter party. Not until the broker has the commission in his bank is he confident that the fixture has gone through smoothly! As far as brokers are concerned, "my word is my bond" still counts as many of the negotiations are conducted by telephone with only the final details of the fixtures being committed to telex. A charter party is then drawn up and signed by both parties, including all the relevant amendments to the c/p's terms and the additional clauses which may or may not be included.

## GENERAL AVERAGE

**Average:** This expression covers all damage which may be sustained by ship and/or cargo during a voyage, as well as extraordinary expenses which may be incurred in a maritime adventure. The term "average" is also used to indicate partial loss.

**General average:** The principle of general average is clearly laid down in Rule A of the York-Antwerp Rules, reading: "There is a general average act when, and only when, any extraordinary sacrifice or expenditure is intentionally and reasonably made or incurred for the common safety for the purpose of preserving from peril the property involved in a common maritime adventure".

The Marine Insurance Act states: "There is a general average act where any extraordinary sacrifice or expenditure is voluntarily and reasonably made or incurred in time of peril for the purpose of preserving the property imperilled in the common adventures".

Particular attention should be given to the words underlined. In general average acts, the common interest, viz the safety of the ship, cargo and freight, is paramount. The sacrifices or expenses are made or incurred for the benefit of the joint interests and it is only natural that each interest contributes in the sacrifices or expenses in proportion to the value at stake. Obviously it would be unreasonable for one of the parties to have to bear the whole loss.

The general average act must be intentional and reasonable, in other words good faith should not be questioned.

**Examples of general average acts are:**

- Jettison of cargo, in order to lighten a vessel.
- Extinguishing of fire, causing damage to cargo.
- Damage by forcing the engines to refloat a vessel which has run aground.
- Intentional running on shore for the common safety.

**Average adjuster:** Experienced average adjusters are entrusted with the task of apportioning the loss and expenditure over the parties interested in the maritime adventure, and of determining which expenses are to be regarded as particular average or general average. Large claims for damage, e.g. collision claims are also settled by experienced adjusters. It is evident that in the case of a collision between two vessels of different values, for which both vessels are to blame although in a different degree, the apportionment of the damage is a complicated affair.

**Average bond:** In the event extraordinary events occur during a voyage, giving rise to an act of general average, an average bond will be drawn up in which cargo owners undertake to pay their proportionate share in general average losses. The contribution of the various parties interested will be determined by average adjusters. The average bond must be signed before actual delivery of the goods to consignees.

