

THE INSTITUTE OF CHARTERED SHIPBROKERS

DRY CARGO CHARTERING (DCC)

2007

EXAMINER'S REPORT

OVERALL COMMENT:

Sadly a poor year with far too many candidates attempting dry cargo chartering without any knowledge of what a bulk carrier looks like, where they trade or what commodities they carry and they have absolutely no idea as to what constitutes a firm offer. This exam is an opportunity for candidates to show the examiner the full extent of their knowledge. I was continually disappointed with the number of students who could not think of more than 3 points to discuss for each question. With 20 marks to be given per question, candidates really need to produce rather more than that to pass.

QUESTION 1 – DRAW SKETCH OF A SHIP

A question designed to test Candidates knowledge of the main features of a plan. The minimum requirement would be an attempt at both the profile and midship section, with bonus marks for accuracy and neatness. Annotated drawings were virtually non-existent and the number of tiny freehand sketches (as opposed to large ruler drawn plans) was depressing.

The second part of the question is designed to test candidates knowledge of a standard ship and should include all the relevant terms: dwt, draft, flag, built, ho/ha, cubic capacity, speed & cons, gear. There were extra marks for realistic dimensions – and any dimensions at all got points. This question did not require the history of the Panamax vessel or its trade routes, some students wrote a lot of unnecessary detail. It was quite a popular question, although only about half those that attempted it got more than 10 marks.

QUESTION 2 –COMMODITIES AND TRADE ROUTES

This was a factual question to test candidates knowledge of two of the principal commodities in the dry bulk market. The marks were divided between the commodities (10 each) and then between the two sections i.e. a) routes b) peculiarities/ hazards. The question asked candidates to “describe” the routes, not “list” them so some detail was expected, for example very few mentioned weather routings (Ice in the St Lawrence for example). Extra marks were available for any attempt at a map. It was however not possible to pass unless the question also discussed the stowage and hazards of the cargo. One of the more popular questions and overall answered relatively well.

QUESTION 3 – DAMAGED STEEL COILS

Successful candidates should have drafted a clear and well-written message, highlighting the pitfalls of agreeing to such a request. Answers had to be in the form of a message and make reference to the fact that agreeing would be fraud (technical or otherwise). Good answers then gave an explanation about the functions of a bill of lading, namely receipt and evidence of contract and a suggestion of why the request is made.

Not enough recognised that this was fraud and too many put their reliance in a Letter of Indemnity. This was one of the (many) questions where candidates felt that making one or two points would earn them 20 marks. It was not sufficient to say “Dear Mr Owner, don’t do it.” Although a high percentage of candidates attempted this question, very few of them passed it.

QUESTION 4 – DRAFT A FIRM OFFER

The question was designed to test candidates understanding of the differences between a voyage and time charter and the owner’s responsibilities under the two. The first part was very simple – and should be a statutory skill for DCC – to construct a firm offer. To get good marks it was necessary to use a “real” example and not just list the main elements of an offer. Worryingly the majority forgot both reply time and place and brokers commission! However often a good offer was let down by the second part of the question.

Candidates should be aware of owners and charterers responsibilities under each type of charterparty and should have highlighted the main differences (management, crewing, insurance versus port dues and bunkers) in the costs associated with each. Additional marks were available for a discussion of different operational procedures. Too many talked about the difference on the market and were not clear that this was a message to owners.

QUESTION 5 – LAYTIME STATEMENT

Candidates should have set out all the main components of a Laytime statement (vessel arrived, NOR tendered, loading/discharge commenced and completed, time to count from, laytime allowed, time worked, laytime used, time saved) in a format which arrives at a calculation for demurrage / despatch to gain maximum marks. The second part of the question then asked for an explanation of all the main terms: for example statement of facts, time used, duration of laytime, all purposes, commencement, NOR, turn time, interruptions, demurrage/despatch etc. Far too many had no explanation whatsoever. Candidates need to show the examiner what they understand, simply regurgitation lecture notes is not sufficient. Also a number of candidates wrote long essays on laytime. This was not requested, did not get extra marks and wasted a lot of time.

QUESTION 6 – WHICH TIME CHARTER FORM

This question was designed to test students’ knowledge of the principal charter parties relevant to the dry bulk industry. The answer should have been in the form of a message and must deal with a time-charterparty eg NYPE or ASBATIME. There was a mark for actually specifying the c/p. There were also specific points for mentioning and explaining (as was requested) the protective clauses; Clause Paramount, New Jason, New Both-to-Blame collision clause, War clause, with extra marks for any discussion of negotiation of clauses: This was the least popular question, but where attempted was relatively well done.

QUESTION 7 – FREIGHT FORWARD AGREEMENTS (FFAs)

The question was to test candidates’ knowledge of the latest market conditions and practices. The answer should firstly have been in the form of a letter. It then needed a basic discussion on forward movements, hedging, trade routes, brokers involved, reasons for principal to participate. There were extra marks for any attempt at graph(s) and descriptions of trade routes with sensible values.

This was not a popular question but was unfortunately attempted by a number of candidates who were very confused about the whole process. In particular there seemed to be no clear understanding about the differences between a physical and paper market.

QUESTION 8 – PRINCIPAL INVESTING IN NEW SHIPS

This question was to test candidates' knowledge of current market conditions. Students are expected to keep up to date with reports in Lloyds List (for example) and should have a good understanding of market forces. The answer should therefore have included;

- a brief description of the current situation including tonnage availability and cargo demand
- some discussion of the demand forecast
- an outline of the latest order book, it was not necessary to know actual figures but an order of magnitude

a suggested forecast consistent with any preceding arguments.

There were then additional marks for logic, understanding of market forces and the layout of the report (rather than just an essay).

Few candidates seemed to understand that buying a vessel was a long term investment and needed analysis of more than just the next month. Unless a candidate has a clear understanding of how to write a market report, it should not have been attempted. It was not sufficient to say "the market is booming, you will get your money back".