

Student Section

Chartering Abbreviations And Terms Made Simple – Part 2

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In Part II of the “Chartering abbreviations and terms made simple”, we will look at laydays, laycan, extension of canceling notice of readiness in little detail. For the commercial negotiations followed by the post fixture operations, these are extremely important issues (not just terms) and thus deserve due attention and a good understanding. The intention is not to make the reader an expert but only to provide an avenue for a reasonable appreciation so that when they read the charter party onboard a vessel, they grasp these important terms to discharge the commercial aspect of their engineering role well.

Most of the Chief Engineers do appreciate the commercial realities of shipping and the consequences of missing the berthing sequence in a port or a place in the canal transit queue (line up) at the least and missing a entire business due to missing the canceling date, especially in a falling market when the operator or charterer is able to take in another vessel at a (much) lower rate. This may cause severe hardship to the

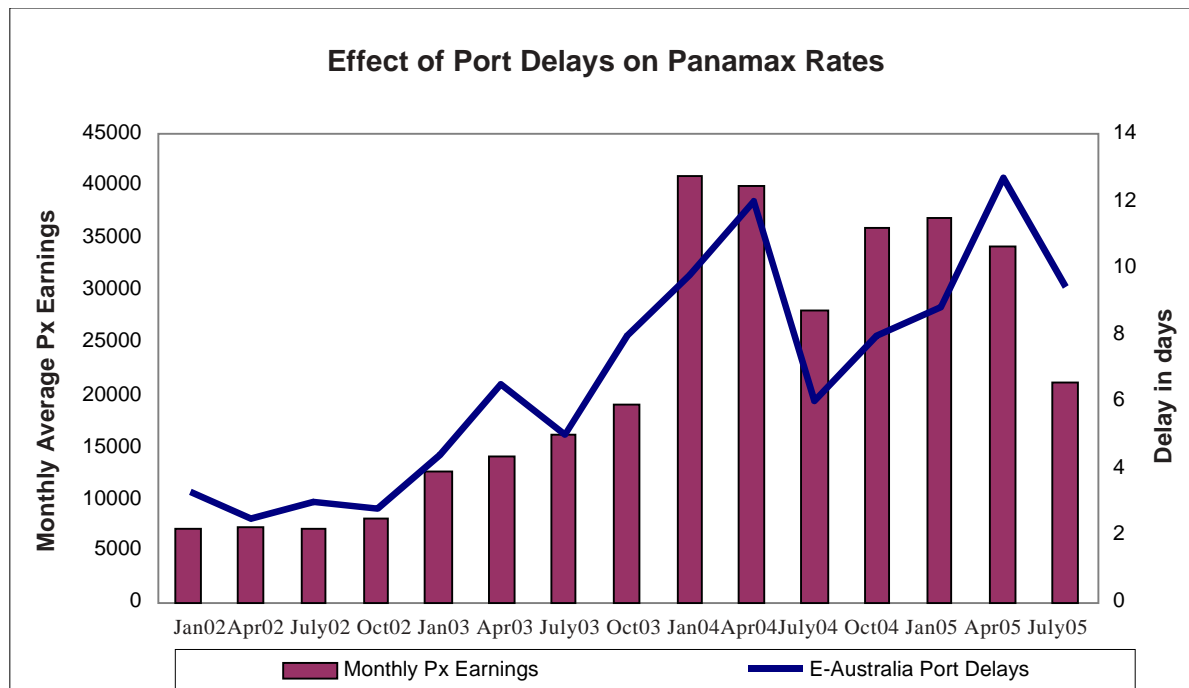
ship owner who now has to either, renegotiate the rate (and accept a lower rate) or find another business in the area or even reposition the vessel by ballasting her to another loading area. This is not to say that all such situations can be avoided by an appreciation of the subject by the staff onboard and reverse the impossible events - for example to make up for excessive weather delays in the previous port or for any other cause beyond control of the ship staff and the commercial staff in the office. However, there is still something that can be done to contribute to the “make or break” issue of meeting the “laycan” staff onboard and ashore. Some examples may be to minimize the unforeseen happenings such as breakdowns, say by ensuring timely maintenance, working as great teams in shifts to ensure that the stoppages are reduced to minimum (as in reality, they do happen, though once in a while), ensuring that adequate spares (especially the critical ones) are provided onboard (even if by frequently reminding the office, provided the ship staff strongly feels and is convinced of the



need), inculcating the “sense of urgency” in the junior staff and crew by providing sufficient knowledge and understanding of the consequences of breakdown for the ship owner, *who has been entrusted with the responsibility “as provider of our bread and butter”*. In short, as professionals, we do whatever we can to contribute to the bottom line of our commercial enterprise and make it a grand success. Indian Sailors have made a place for themselves in the industry because of this attribute and attitude and we must not only continue to maintain this position but improve upon it through our dedication and sense of belonging.

Laydays and Laycan

The spread of dates during which a vessel is to present herself at the first (or



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sole) loading port. This spread should be entered in a contract, as well as conditions under which the contract can be cancelled in the event that the vessel is unable to meet those dates. Since this spread can not go on for ever, a cut off date is provided which is called the “cancelling date” or the “laycan”. In case of a Time Charter, the vessel is to present herself at the agreed place of delivery within a specified spread. This could be at DOP, DLOSP or APS (please refer to last article for details of these terms). In case of a voyage charter, the vessel is to present itself at the load port. The basic purpose is the same i.e. to try to synchronise the arrival of the vessel with the readiness of the cargo and to minimise the delays or expedite the port turn around.

With the possible exception of liner service, ships do not work to the minute or as clockwork. There are numerous factors that can cause delays to a ship calling a port for the presenting itself for the next fixed business such as weather related delays while discharging rain sensitive cargo in the last disport and miss the cancelling.

In some cases, an operator might be waiting for the right ship and also right time for hiring a ship to lift the cargo, to maximize the profit by hiring the cheapest ship and minimising the waiting period. This results in “tight” situations at times with reduced laydays.

If the ship can not be presented (ready in all respects with a valid ‘notice of readiness tendered) before the laycan, the charterer is free to reject the ship, subject to other agreements in the charter party to this effect. “Notice of Readiness” is an interesting topic and a brief idea is provided hereunder.

Notice of Readiness

A ship must be physically capable of performing cargo-operations – e.g. at a loading port, holds must be cleaned and prepared for receiving cargo and, if the contract so specifies, holds must be inspected and declared suitable by an appropriate authority before notice of readiness will be accepted. Notice of Readiness can be given orally, but usually a written form is used It is an important function of a port agent to assist a ship’s master in tendering notice

of a ship’s arrival, and also to ensure that shippers/receivers officially ‘accept’ the vessel’s notice of readiness, accomplished usually by signing and timing acceptance on the notice form, although many shippers/receivers or charterers’ nominated port agents, will ‘accept subject to charter party terms and conditions’.

A typical clause is as follows (Time Charter NYPE 93)

Arrival before laydays

If a ship arrives at a loading port within the laydays before the cancelling date, the charterer is obliged to produce a cargo for it. He is not obliged to produce any cargo before the laydays if the ship arrives early. Even though the charterer is under no obligation to provide cargo, the owner can present an immediate notice of readiness and time will begin to count in accordance with the terms of the charter party. In such a case, the exceptions to laytime – in addition to those agreed upon – will include any time up to the first time and date mentioned in the agreed laydays. Effectively this situation means that the time lapse between presenting a notice of

Time Charter NYPE 93

2. Delivery	29
The vessel shall be placed at the disposal of the Charterers at	30
.....	31
.....	32
.....The vessel on her delivery	33
shall be ready to receive cargo with clean-swept holds and tight, staunch, strong and in every way fitted	34
for ordinary cargo service, having water ballast and with sufficient power to operate all cargo-handling gear	35
simultaneously.	36
The Owners shall give the Charteres not less than	37
date of delivery.	38

Extension of Cancelling (NYPE 93)

16. Delivery/Cancelling	205
If required by the Charterers, time shall not commence before.....and should the	206
Vessel not be ready for delivery on or before	207
but not later thanhours,	208
the Charterers shall have the option of cancelling this Charter Party.	208
Extension of Cancelling	209
If the owners warrant that, despite the exercise of due diligence by them, the Vessel will not be ready	210
for delivery by the cancelling date, and provided the Owners are able to state with reasonable certainty	211
the date on which the vessel will be ready, they may at the earliest seven days before the Vessel is	212
expected to sail for the port of place of delivery, require the Charterers to declare whether or not they will	213
cancel the Charter Party. Should the Charterers elect not to cancel or should they fail to reply within two	214
days of by the cancelling date, whichever shall first occur, then the seventh day after the expected date	215
of readiness for delivery as notified by the Owners shall replace the original cancelling data. Should the	216
Vessel be further delayed, the Owners shall be entitled to require further declarations of the Charterers	217
in accordance with this clause.	218

readiness and time starting to count that would exist under more normal conditions disappears. In short it is better to tender the NOR (Notice of readiness) when the vessels arrives, even if she arrives before the commencement of laydays (provided of course that she is ready in all respects to receive the cargo and fulfilling other terms of the Charter party).

Laydays/Cancelling

NYPE Clause 14- Some times, it is possible to agree to an Owner friendly (in my view) "extension of canceling" clause which is useful in a falling market with Owners having fixed the vessel at a higher rate. This clause becomes useful if the Owners suspect that the vessel may miss the canceling.

This clause gives degree of flexibility to the Owners in case of suspected delays

and thus avoid left high and dry in case the Charterers reject the vessel.

Compare above clause with the following:

Here, if there is no "extension of cancelling" clause, the vessel may have to be presented at the port of delivery, which may be many "ballasting days" away – only to find that upon arrival, the charterers have cancelled the charter party in accordance with this clause! Owner is then left with the job of finding another business, more often than not incurring financial losses.

In the next article, we will look at Laytime, despatch and demurrage terms and issues. Till then, please find following food for thought –

What happens if the vessel has to keep waiting for the cargo after having

tendered a valid Notice of Readiness at the load port which is expected by the Charterers or their agents. In the graph below, please note what happened in the E. Australia last year/early this year when the waiting period for the vessels was more than 7 days. Who suffered financial losses?

The effect was two fold. Due to port delays, the fleet was tied up (close to 8% of the world dry cargo fleet) which resulted in a virtual tightening of supply for the new cargo stems. The freight rates shot up during the period when the port delays increased (see above for Jan ~ Apr 2004 and Jan ~ Apr 2005). Secondly, the excessive waiting period added on to the demurrage. If you would like to discuss this topic further, please send an e-mail to the author (shiplearn@yahoo.com)

Laydays/ Cancelling	14. If required by Chareters, time shall not commence before	179
and should vessel not have given written	180
	notice of readiness on or before	181
	later than 4 P.M. Charterers or their agents shall have the option of cancelling	182
	this Charter at any time not later than the day of vessel's readiness.	183

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