Global Certificate in Ship Brokerage

Shipbroking Transactions

Shipbroking Transactions: Key Terms and Vocabulary

Shipbroking is a crucial component of the maritime industry, involving the negotiation and arrangement of the chartering, buying, and selling of ships. To excel in this field, it is essential to understand the key terms and vocabulary used in shipbroking transactions. This explanation will provide a comprehensive overview of these terms, with examples, practical applications, and challenges.

1. Vessel Particulars

* Deadweight Tonnage (DWT): The total weight a ship can carry, including cargo, fuel, fresh water, and crew. It is expressed in metric tons.
* Gross Tonnage (GT): The total internal volume of a ship, expressed in gross tons. It is calculated based on the ship's length, beam, and depth.
* Net Tonnage (NT): The volume available for cargo, expressed in net tons. It is calculated based on the ship's gross tonnage, deducting engine room, crew spaces, and other exempted areas.
* Draught: The depth of a ship's hull immersion in water, measured from the waterline to the bottom of the keel.

Example: A vessel with a deadweight tonnage of 50,000 DWT, gross tonnage of 40,000 GT, and net tonnage of 25,000 NT, has a draught of 12 meters.

2. Charter Types

* Voyage Charter: A contract where a shipowner hires out a ship for a single voyage between two specified ports.
* Time Charter: A contract where a shipowner hires out a ship for a specified period, during which the charterer controls the vessel's operation.
* Bareboat Charter: A contract where a shipowner hires out a ship without crew or management, leaving the charterer responsible for the vessel's operation.

Example: A shipowner enters into a time charter with a charterer for a period of 12 months.

3. Charter Party

A Charter Party (CP) is a contract between a shipowner and a charterer, outlining the terms and conditions of the charter agreement.

Example: The CP specifies the vessel's specifications, freight rate, loading and discharging ports, and other relevant details.

4. Freight Rates

* Worldscale (WSC): A standardized system for calculating tanker freight rates, based on a notional vessel of a specific size and age.
* Voyage Freight: The freight rate for a single voyage, calculated based on the distance between the loading and discharging ports, the cargo quantity, and other factors.
* Time Charter Rate: The daily or monthly rate payable for hiring a ship under a time charter.

Example: A shipowner and charterer agree on a voyage freight rate of $20,000 for transporting 10,000 metric tons of cargo between two ports.

5. Laytime and Demurrage

* Laytime: The period allowed for loading and discharging cargo, specified in the charter party.
* Demurrage: A penalty charged to the charterer for exceeding the allowed laytime, payable to the shipowner.

Example: If the laytime is 48 hours and the charterer exceeds this by 12 hours, the resulting demurrage may be calculated as $10,000.

6. Despatch

Despatch is a rebate paid to the charterer for loading and discharging cargo faster than the allowed laytime, resulting in a financial benefit to the shipowner.

Example: If the charterer completes loading and discharging in 36 hours instead of the allowed 48, the despatch may be calculated as $5,000.

7. Bunkers

Bunkers refer to the fuel oil used for propelling a ship.

Example: The charterer is responsible for providing bunkers during the charter period, as specified in the charter party.

8. Brokerage

Brokerage is the fee or commission earned by a shipbroker for facilitating a shipbroking transaction.

Example: A shipbroker may earn a brokerage of 1.5% of the freight rate for a successful voyage charter.

9. FIOS

FIOS stands for "Freight, Insurance, and Other Surcharges," which are additional costs payable by the charterer.

Example: The FIOS may include port dues, canal fees, and other expenses related to the charter party.

10. Letter of Indemnity (LOI)

An LOI is a legal document issued by one party to another, providing a guarantee or compensation in case of a specific event.

Example: An LOI may be used when a charterer requests the shipowner to deviate from the agreed route, promising to indemnify the shipowner for any losses incurred.

Understanding these key terms and vocabulary is essential for success in shipbroking transactions. By mastering these concepts, you will be well-equipped to navigate the complex world of shipbroking and excel in your career.