

Πανεπιστήμιο Πειραιώς



Τμήμα Ναυτιλιακών Σπουδών
Πρόγραμμα Μεταπτυχιακών Σπουδών στην
Ναυτιλία
« CHARTERING »
Παλληκάρη Ευαγγελία

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Λέξεις / φράσεις κλειδιά: BIMCO, Baltic Exchange, φορτωτική, Συμβόλαιο Εργολαβικής Μίσθωσης (CoA), ναύλωση δεξαμενοπλοίου , χρονοναύλωση, ναύλωση ταξιδιού, ναύλωση γυμνού πλοίου, πλοιοκτήτης ,ναυλωτής, ναυλοσύμφωνο, σταλία, επισταλία, Worldscale, INTERTANKO, INTECARGO.

ABSTRACT

In this thesis we will examine the concept of chartering. Also, we will include the most important parts of the Charter Market industry, such as for example the persons who make it up, the main Chartering Centers, the Main forms of chartering and we will refer to the main types of charter agreements. There will also be full reference to the obligations of the charterer and charterer respectively depending on the type of charter. Finally, we will deal with the cost of the charters, as well as the characteristic rates and their role in the system of the Charter Market.

Key words/phrases: BIMCO, Baltic Exchange, Bill of Lading, Contract of Affreightment(CoA), tanker charter, time charter, voyage charter, bareboat charter, ship owner, charterer, laytime, demurrage, Worldscale, INTERTANKO, INTECARGO.

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Abbreviations

AA	Always Afloat
COA	Contract of affreightment
cgt	compensated gross tonnage
dwt	deadweight tonnage
EEC	European Economic Community
FEFC	Far East Freight Conference
FFA	forward freight agreement
FPC	forest products carrier
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GNP	gross national product
GRI	general rate increase
grt	gross registered tonnage
gt	gross tonnage
IACS	International Association of Classification Societies
ILO	International Labour Organization
IMCO	Inter-governmental Maritime Consultative Organization
IMO	International Maritime Organization
IPO	initial public offering
ISO	International Organization for Standardization
LNG	liquefied natural gas
LOA	length overall
lo-lo	lift on, lift off
LPG	liquefied petroleum gas
MCR	maximum continuous rating
m.dwt	million tons deadweight
MPP	multi-purpose
mt	million tons
NPV	net present value
OBO	oil/bulk/ore carrier
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries

P&I	protection and indemnity
PSD	parcel size distribution function
RFR	required freight rate
ROI	return on investment
ro-ro	roll on, roll off
SDR	Special Drawing Right
TEU	twenty-foot equivalent unit
tm	ton mile
ULCC	ultra large crude carrier
UN	United Nations
VCF	voyage cashflow analysis
VLCC	very large crude carrier
WS	Worldscale

SHIPPING TERMS

Aframax: Tanker carrying around 0.5 million barrels of oil, but usually applied to any tanker of 80,000–120,000 dwt (name derived from old AFRA chartering range).

Arbitrary: **1)** A fixed amount which a transportation line agrees to accept in a dividing joint rate. **2)** A fixed amount added to or deducted from one station to make a rate from another station. **3)** A fixed amount added to or deducted from a rate to one station to make a rate to another station. **4)** An allowance added to an employee's rate of pay in addition to regular wages, based on provisions included in the union contract.

Bareboat charter (or “demise charter): is an arrangement for the hiring of a vessel whereby no administration or technical maintenance is included as part of the agreement. The charterer obtains possession and full control of the vessel along with the legal and financial responsibility for it. The charterer pays for all operating expenses, including fuel, crew, port expenses and P&I and hull insurance. In commercial demise chartering, a subtype of bareboat chartering, the charter period may last for many years and may end with the charterer acquiring title (ownership) of the ship. In this case, a demise charter is a form of hire-purchase from the owners, who may well have been the shipbuilders. Demise chartering is common for tankers and bulk-carriers.

Bill of lading (B/L): This is the official legal document that represents ownership of cargo; the negotiable document to receive cargo; and, the contract for cargo between shipper and carrier.

BIMCO: is one of the largest international organisations of ship owners in the world which is headquartered in Copenhagen. It has members in more than 130 countries, including managers, brokers and agents

Box : Another, less formal name for a shipping container. This is how they are often referred to in the industry.

Brake horsepower: A common unit of power, the rate at which work is done. The power of cars and other motors of engine-driven vehicles, including container ships, is often measured in brake horsepower.

Break bulk: Loose cargo, such as cartons, or individual large items stowed directly in the ship's hold as opposed to containerized or bulk cargo. The volume of break bulk cargo has declined dramatically worldwide as containerization has grown.

Broker: is a person or firm who arranges transactions between a buyer and a seller for a commission when the deal is executed. A broker who also acts as a seller or as a buyer becomes a principal party to the deal. Neither role should be confused with that of an agent-one who acts on behalf of a principal party in a deal. In other words, A broker is an independent party whose services are used extensively in some industries. His prime responsibility is to bring sellers and buyers together and thus a broker is the third-person facilitator between a buyer and a seller. An example would be a real estate or stock broker who facilitates the sale of a property.

Bulk cargo: Commodity cargo that is transported unpackaged in large quantities. These cargos are usually dropped or poured as a liquid or solid, into a bulk carrier's hold. Examples of bulk cargo are grain, seed, and coal and iron ore.

Carrier: Any individual, company or corporation engaged in transporting goods. Container shipping lines are sometimes referred to as ocean carriers.

Charter Party: Contract by which the owner of a ship lets it to others for use in transporting cargo

Charter rate: A rate of hire agreed upon between the owner of a vessel and the person wanting to use the vessel (the 'charterer').

Charterer: 1) Person or company who hires a ship from a shipowner for a period of time (time charter) or who reserves the entire cargo space for a single voyage (voyage charter). 2) A charterer is a person or an organisation who hires a ship, truck or other means of transportation to move goods from one place to another. In some cases, a part of the capacity of the ship is rented. The charterer may be the owner of the goods being transported. Also, the charterer may be an agent or a broker that acts on behalf of the owner of the goods.

Container: Standard box of length 20 or 40 ft, width 8 ft and height 8 ft 6 in. High cube containers are 9 ft 6 in. high, and container-ships are usually designed to carry some of these.

Container-ship: Ship designed to carry containers, with cell guides in the holds into which the containers are lowered. Containers carried on deck are lashed and secured.

Contract Of Affreightment: An agreement between the shipowner and the charterer on the hiring of a ship (all or part of its premises) for the carriage of goods. In this case, a consignor undertakes to pay the established fee (freight) for transportation, and a carrier - to deliver the goods to the port of destination.

Compensated gross ton (cgt): Measure of shipbuilding output based on the gross

tonnage of the ship multiplied by a cgt coefficient reflecting its work content

Deadweight (dwt): The weight a ship can carry when loaded to its marks, including cargo, fuel, fresh water, stores and crew.

Demurrage: is the daily amount of agreed liquidated damages or demurrage payable by the charterer should the vessel be delayed in port beyond the agreed laytime per day pro rata.

Freight rates: The charge made by a shipping line for the transportation of freight aboard one of its ships from one place to another.

Gross ton (gt): Internal measurement of the ship's open spaces. Now calculated from a formula set out in the IMO Tonnage Convention

International Maritime Organization (IMO): A specialized agency of the United Nations responsible for measures to improve the safety and security of international shipping and to prevent marine pollution from ships. It is also involved in legal matters, including liability and compensation issues and the facilitation of international maritime traffic.

Laydays/Cancelling-Laydays: This is the spread of dates during which vessel is to present itself to the port, in accordance with the Clause 5 for the applicable times and rights of cancellation.

Laytime: is the time allowed to the charterer to carry out operations required to load and discharge the cargoes without incurring extra costs.

Under *Worldscale hours, terms and conditions (WSHTC)*, 72 hours would be the laytime allowance. During negotiations a different laytime allowance may have been agreed, for example, 48 hours *SHinc(Sundays/holidays included)*. Laytime is also referred in the charter party under Clause 6, which allows the charterer to have six hours Notice of Readiness (NOR) at each port of loading and discharge. Clause 7 specifies the expected periods and Clauses 9, 10 and I I all include stipulations regarding laytime.

MARPOL (International Convention for the Prevention of Pollution from Ships): the main international convention covering prevention of pollution of the marine environment by ships from operational or accidental causes.

Off-Hire: The period in which a ship is not available for service under a time charter and, accordingly, the charterer generally is not required to pay the hire rate. Off-hire periods can include days spent on repairs, drydocking and surveys, whether or not scheduled.

INTRODUCTION

The purpose of this thesis is to make the reader understand the concept of chartering and in particular to highlight some problems and contradictions, mainly of a legal nature, concerning the specific field and finally to quote conclusions and proposals to avoid them.

The methodology followed is as follows: initially, specific programs were compared with provisions of the Code of Private Maritime Law that include articles that refer to the obligations and responsibilities of the charterer and the shipowner, then Greek and foreign language sources were used in order to make the above more understandable, the way they are applied but also the problems that arise.

The sources used were:

- Original texts of the Code of Private Maritime Law with laws relating to charters.
- Greek and foreign literature.
- Information from the internet.

This thesis consists of two parts (Part A refers to charters in general and Part B refers to tanker charters), which include a total of ten (10) chapters:

-The first chapter introduces the complex concept of the freight market and the persons participating in it.

-In the second chapter, the main charter centers and shipping organizations (Baltic Exchange, BIMCO, FONASBA, INTERTANKO, INTERCARGO, P & I CLUB) are mentioned.

-In the third chapter, the basic transport contracts are listed (Contract of Transport of Goods, Charter, Bill of Lading, Contract of Affreightment).\

-In the fourth chapter are described and analyzed the main forms of chartering.

-In the fifth chapter, the operation of the tanker market is analyzed in particular.

-The sixth chapter refers to liquid cargo indexes are described.

-In the seventh chapter, an attempt is made to estimate the tanker's voyage (expenses, income).

-In the eighth and ninth chapters, tanker voyage and tanker time charter parties are described in detail.

-The tenth chapter refers to tanker special clauses.

-Finally, the conclusions reached by this thesis are listed.

CHAPTER 1: THE FREIGHT MARKET AND ITS OPERATION

1.1 THE CONCEPT OF FREIGHT MARKET

The term "Freight Market" refers to the entire commercial spectrum of the market that refers to freight rates and how they are formed based on the current supply and demand of ship capacity, for the transport of goods.

In periods of excessive demand for ship capacity, freight rates soar to great heights, resulting in the so-called "explosion of the freight market" for which the international term "boom" is used. Conversely when there is a sharp drop (commonly a crash) in freight rates, mainly due to oversupply of capacity or other causes (eg war, economic blockades, etc.) then the freight market is said to be in a deep slump and the international term is more widely used "roll-down" (roll-down), instead of "crash" used elsewhere.

The spectrum of the freight market includes the geographical area within which the fares are set and the transfers are carried out, and professionals, who are responsible for performing all the necessary stages in order to ensure the safe movement of cargo from one point of the earth to another, through the sea channel by determining the rates. Finally, the evolution of maritime transport created the need for the creation of various shipping organizations or charter centers. The Shipping Organizations and Charter Centers that will be studied in this thesis and below are:

- Baltic Exchange
- BIMCO
- Lloyd's of London

So, in summary, the freight market is a system of interdependent persons, factors and situations that, through economic mechanisms and practical procedures, ends up determining the fares with which international sea transport is carried out.

1.2 THE PERSONS OF FREIGHT MARKET: SHIPOWNER, CHARTERER & BROKERS

Professionals belonging to the world of international merchant shipping can be categorized according to their activities and the role they play within the shipping context. As far as the specific thesis is mentioned, emphasis will be given and those persons who are active in the "circuit" of the charter market. Freight is defined as the reward payable to a carrier for the carriage and arrival of goods in a recognized

condition and the freight market consists of shipowners, charterers and brokers. They use 4 types of contractual arrangements: the voyage charter, the contract of affreightment, the time charter and the bareboat charter

The relationship between these persons is important. All of these figures of the shipping market play an important role in the exploitation-management as well as in the ownership of the ship. The shipowner operates his own ship in his own name and on his behalf. With other words, he is a legal entity officially registered as the owner of the ship in a Ship Registry. In the commercial sense of the term, a shipowner is someone who equips and exploits a ship, usually for delivering cargo at a certain freight rate either as a per freight rate (given price for the transport of a certain cargo between two given ports) or based on hire (a rate per day). Shipowners typically hire a licensed crew and captain rather than take charge of the vessel in person. Usually the shipowner is organized through a company, but also people and investment funds can be ship owners. If owned by a ship company, the shipowner usually performs technical management of the vessel through the company, though this can also be outsourced or relayed onto the shipper through bareboat charter. [Huber, Mark (2001) /Turpin, Edward A.; McEwen, William A. (1980)]

Then there are the charterers, which include all those natural or legal persons who provide information on specific cargo-commodities as well as ship availability to the charterer against charters - that is, specific fees. In order to carry out this transfer, it is necessary to create and sign from both parties all the necessary documents for the safe transfer of the cargo. (eg charter agreement, bill of lading, etc.)

Another large and very interesting subset of the "circuit" of the charter market are shipbrokers. These professionals can initially be divided into two subcategories. In one category are the brokers (who are known as Sales and Purchase Brokers), who are trying to find the best deals and opportunities, they are informed about the current prices of ships of all types and sizes and generally about any other information that is considered important. These brokers help to reach an agreement between the buyer and the seller and are responsible for the drafting of the contract. In other words, the Sales and Purchase Brokers act as intermediaries between buyers and sellers of ships, overseeing the purchase and sale of ships on behalf of their clients. They assess the feasibility and risks of new business opportunities, analyze risk management data, and point out potential problem areas to management.

The other category of brokers are chartering brokers, who mediate between a

shipowner (who has a ship for charter) and a charterer (who wishes to charter the ship to carry its cargo), arranging all the relevant details of the conclusion of charter contracts for a commission. Practicing this profession has several requirements. Chartering brokers must be well informed about the state and trends of the freight market as well as the conditions of demand and supply of cargoes and tonnage of vessels. His most important activities are whether not least depending on the interests it represents, to look for the appropriate cargo to be transferred to his client's ship or vice versa, then the whole process of the charter is organized by them and they provide direct communication between of the contracting parties, ensuring the interests of the side they represent in order to "close" the charter. Finally, they are the ones who draw up the charter agreement, which includes everything agreed upon by both sides during the charter negotiation. It is noteworthy to mention that in seagoing shipping, in order to carry out a transport, the presence of two freight forwarders is necessary, one acting on behalf of the charterer and the second on behalf of the charterer.

However, there is a special part of the people of the freight market: the shipping agent. In essence, he is the person who pays his representation of the shipowner in certain ports, at his command. Some of his duties are sending a "report" to the ship-owner which includes a rough estimate of the port charges - before the ship's arrival - as well as the final drawing up of the bill which includes all the ship's expenses during the stay in port, since the ship has departed. It is the main organizer of the preparation for the reception of the ship in the port in cooperation with the shippers/recipients of the cargoes, i.e. it takes care of the normal entry and exit of the ships it agents, their anchoring in it as well as finding the most suitable position, doing all the necessary procedures governed by the competent authorities. He is unquestionably the main person responsible for the ship and for what it needs, such as for example fuel, food, even filling vacancies in the ship's crew and transferring money to the master for the needs of the ship.

In order to close the "circle" with the persons of the freight market, industrial carriers could not be left out. Large industrial organizations in recent years have been trying to design various management and development strategies in order to reduce their costs and expenses. As part of their vertical integration strategies, the reduction of transport costs is included. There is no need to transfer the product from the supplier to the customer. Thus, they acquired their own tonnage for transporting their

products. This process is carried out by subsidiary companies that deal exclusively with these transports but also by companies specialized in ship management (ship management companies). This sector of the freight market shows interesting growth figures because, the industries examine the cases of the cost of transporting the cargo from privately owned ships and from the free market ships, check that the freight levels of both cases fluctuate and in the end choose the best and with a lower cost solution, either investing in new tonnage to transport the goods or chartering ships from the free market and breaking up privately owned ships.

CHAPTER 2: THE MAIN CHARTER CONTRACTS AND INTERNATIONAL SHIPPING ORGANISATIONS RELATED TO CHARTERING

2.1 BALTIC EXCHANGE

It is the most important international shipping company information center. Its history begins in 1744 from London, where it originally housed a coffee shop, the 'Baltic Coffee Shop', where merchants met ship captains to transport their goods by sea. In order to be able to make these commercial transactions, these persons had to become members, so that they receive the appropriate information, securing their details, without fear. In this way the Baltic Center by 1823 had developed into a kind of "club", where entry to it was controlled, so as to prevent many competitors from entering the trade. The privilege of the members was that there were newspapers, publications & any other form of information they needed.

From 1903 until today, the Baltic Center is par excellence a freight exchange, but there also "closes" deals for the purchase and sale of air freight. For this very reason, its title has also been enriched and is now referred to as "Baltic Mercantile & Shipping Exchange". It took the name "Baltic" because initially the charters it concluded concerned the Baltic Sea, while today it deals with global charters.

Notable dates in the history of the Baltic Center are the period 1850-1890 where within 40 years the members grew from 300 to 1534. Also, in 1895 a charter derivatives exchange was established itself, known as "Baltic International Freight Futures Exchange" (BIFFEX). In 1992, however, it fell victim to a terrorist attack and was completely destroyed, but nothing stopped such a well-organized operation. They were transferred to "Lloyds" of London, until their reconstitution.

Today, with their motto "Our word is our bond", i.e. "our word is a contract", it makes agreements, which are made even before the charter agreements are signed

and everything is based on the good faith of the contracting parties. It counts 750 member companies and approximately 2500 representatives. When applying for the registration of member companies, which is done by completing an application, members are divided into two categories: "market members" and "nonmarket members".

The "market members" together with the registration- **application** are obliged to pay together with their financial information in order for the Center to make sure that the members have the ability to carry out the contracts they undertake. The negotiations of this type of members take place inside the building of the Baltic Center in the well-known room called "floor". They are forced to comply with the Center's regulations and conduct negotiations according to its techniques. In this category including shipowners, charterers, freight forwarders and anyone with an interest in the cargo. (cargo interests).

"Non-market members" are not obliged to present their financial situation upon registration. Their shipping services are offered in cooperation with the Baltic Center but they do not have the right to use their premises. Shippers belong to the category of members economists, insurers, bankers, classifiers, lawyers, and other suppliers of shipping information.

Finally, the whole process for accepting a member company takes about four to six weeks and the process is completed after the payment of the subscription fee. From then on, each member company can enjoy the benefits provided by the Center, such as the ability to process commercial transactions & negotiations within an autonomous market, assistance in resolving various shipping disputes, the possibility of access to a large shipping network, the use of the Center's own facilities as well as the continuous information and advisory contribution from a distance.

2.2 BIMCO (BALTIC & INTERNATIONAL MARITIME COUNCIL)

In Denmark in 1905 the company BIMCO was created by ship owners. From 1927 until today it is an international organization and today it is the largest in the private sector of the shipping industry. It has 2650 members in 111 countries.

Initially, it is responsible for the interpretation of the terms of the charter agreements (interpretation of charter party terms), guidance on matters of maritime law (advice on maritime law), but also for the provision of advice and instructions in order to resolve disagreements and maritime disputes (opinions on disputes). It also

deals with the **conduct** of special investigations (e.g. port cost estimates) concerning the development of the shipping market and the various shipping markets, while at the same time issuing charter parties and other shipping documents (charter parties & contracts), as well as approves charter agreements issued by other bodies.

In addition, it publishes shipping software programs (T/C estimation system, fleet monitoring system, position system, laytime calculator, voyage estimator, port cost estimator, charter party editor), as well as magazines, inspections, surveys, etc. for the information of maritime professionals (publications, newsletters, magazines and special focus issues).

It is equally important to mention the fact that the company is easily accessible to each of its members since it is in continuous on-line communication 24 hours a day via "Internet" (BIMCO on-line round the clock and internet services), informing even about the state of the ice in ports and maritime areas, but also providing reliable technical support. Finally, she oversees the organization of various training seminars.

2.3 FONASBA (Federation of National Association of Shipbrokers and Agents)

The FONASBA Quality Standard is an international certification and was created to help shipowners and operators identify reliable agents and freight brokers, who operate professionally and demonstrate a tangible commitment to excellent quality services. As of March 2020, 40 countries and more than 560 companies have been certified by FONASBA International Organization, providing the shipping industry with a strong, applicable and practical Quality Standard. Companies awarded the Quality Standard are subject to a two-year audit by the national association to which they belong, after which the audit is supervised by FONASBA to ensure full coverage of the required criteria.

2.4 INTERTANKO (INTERNATIONAL ASSOCIATION OF INDEPENDENT TANKER OWNERS)

The International Association of Independent Tanker Owners is based in Oslo, Norway and has a membership of around 300 tanker companies from the major shipping nations, controlling over 170m tones (DWT) in global tonnage. Even Intertanko has approximately 70% of the tanker capacity, at 2,230 vessels. Its members are from 40 different countries.

It was founded shortly after the end of the stock market crisis (1930), but took initiatives when it moved to London in the mid-1950s. However, it did not receive the support of its members and 20 years later a group of independent of tanker owners from 10 countries proceeded to revive the association. The initial agreement was that the association would be non-profit making and its main purpose would be to promote the interests of its members internationally through cooperation with other organizations and associations.

Today Intertanko is an association of mainly small shipowners. 39% of participating members have 1 tanker, 15% have 2 tankers, 12% have 3 tankers, 5% have 4 tankers, while 16% have 5-9 tankers, 8% have 10-19 tankers and from 20 tankers and over the 5% of the members.

Intertanko regularly participates in IMO and UNCTAD conferences supporting specific positions:

- the lack of reception facilities in most ports
- the acceleration of the ratification of the MARPOL convention by the oil exporting countries – securing an equal and fair share of responsibility for oil pollution compensation between the cargo owner and the shipowner.

INTERTANKO maintains a strongly proactive attitude in its efforts to effectively represent the tanker industry at international, state and local levels. The Secretariat consists of 25 people, while the Union's network of 14 Committees and three panels at regional level is responsible for coordinating a work program which is now roughly divided into 50 agenda items. In recent years, more attention has been paid to cultivating relationships with government and other maritime and related organizations to work together where possible for mutual benefit, and to push for a more equitable sharing of duties and responsibilities between all parties involved in transport chain of tankers. This process went a step further when new INTERTANKO offices were opened in Singapore and Washington in 1999.

INTERTANKO is committed to working for safe transport, cleaner seas and free competition. Specifically:

- INTERTANKO is committed to strengthening the position of Independent Owners in the tanker industry in particular and in society in general.
- INTERTANKO will, where it is necessary, ensure maritime safety and environmental protection, provide leadership in the development and

implementation of technically sound, cost-effective regulations and industry standards. Given the global nature of the industry such regulations and industry standards should be set informally and on an international basis.

- INTERTANKO recognizes that the responsibility to uphold the principles of safe transport, cleaner seas and free competition rests with many participants in the shipping industry who are closely related to each other. INTERTANKO is committed to ensuring that Independent Tanker Owners are a strong link in the Chain of Responsibility. INTERTANKO encourages other links to maintain and develop similar high standards.
- INTERTANKO will achieve its goals through the active participation of its Members, seeking support and cooperation from the Authorities as well as with other shipping organizations, with the Auxiliary Members, the wider public and other interested parties.
- INTERTANKO members employ qualified people including seafarers whose dedication and professionalism are the foundations for the safe operation of the vessel. For ISM Code compliance to be effective, open communication and trust between seafarers and the shipowner's office is required.
- INTERTANKO's vision is a competitive tanker market in which Independent Owners provide and charterers employ safe vessels that offer the highest degree of maritime and environmental protection to meet the global demand for safe and efficient oil transportation.

The policy of the Union is determined by the elected Council of INTERTANKO at the spring and autumn meetings.

The 12-member Executive Committee, while keeping the 120-member Council informed, directs the operations and affairs of the Union and oversees the management of INTERTANKO's permanent secretariat. The Executive Committee delegates functions to the Chief Executive Officer who directs and coordinates the work of the groups dealing with issues related to the needs of the industry and members.

The 62 total INTERTANKO Board Members come from 38 countries. Below are the participating countries and the number of their representatives: Argentina (1), Australia (1), Belgium (2), Venezuela (1), France (2), Germany (4), Denmark (3), Switzerland (3), Greece (8), United States (6), United Kingdom (3), Japan (7), India

(2), Spain (1), Italy (4), Canada (4), Netherlands (1), Croatia (1), Cyprus (4), Latvia (1), Liberia (1), Luxembourg (4), Malaysia (1), Monaco (2), Bahamas (3), Norway (9), South Africa (1), South Korea (1), Portugal (1), Romania (1), Russia (4), Saudi Arabia (1), Sweden (2), Singapore (4), Turkey (2), Finland (1), Chile (1), Hong Kong (4).

What is noteworthy here is that Greece is second in representation after Norway, with eight members on INTERTANKO's Board of Members, surpassing many superpowers (except for shipping) such as the United States, Canada, the United Kingdom, Germany, France, etc. a

The main objectives of INTERTANKO are the promotion of a free and competitive market and the fight for safety at sea and environmental protection. Its activities are based on the Articles of Organization as approved and amended by the INTERTANKO Board.

2.5 INTERCARGO (INTERNATIONAL ASSOCIATION OF DRY CARGO SHIPOWNERS)

Intercargo is the international association of independent shipowners fully dedicated to the needs of the dry cargo industry. Providing guidance and authority, it is a forum for the maritime community on mutual issues of interest and acts as a platform for the appropriate development of the dry cargo sector in an environment that requires a safe and quality ship for the market in which it specializes. Very important element for her fulfilling the goals of the association are good relations with all the involved bodies and more specifically with the ship inspectors. At present, the problem of multiple ship inspections requires considerable attention. Improving the class of a ship is a very important step towards solving the problem as it must be a vital indicator of quality and by extension safety.

Intercargo's vision is a safe, efficient and environmentally friendly dry cargo shipping industry, where its members' vessels serve global trade by operating competitively, safely and profitability.

Intercargo is committed to strengthening the position of dry cargo shipowners/operators worldwide, both in terms of their position in the market and in regulatory fore. The shipping industry must also provide a healthy and satisfactory environment for the human resources employed in its activities and for this it works together with other agencies.

As previously mentioned, Intercargo is the independent ship-owners association that represents only the dry cargo market of the shipping industry, i.e. general dry bulk, ore and OBO (iron ore/dry bulk/oil) vessels, as well as and general cargo vessels. Intercargo's role is to promote and protect the interests of dry ship owners cargo worldwide.

Founded in 1980 by Antonis Chandris, the association now represents 100 million deadweight tons of the dry cargo market and has around 150 members in around thirty countries. Headquartered in London, Intercargo is represented at the IMO in London and holds seminars and conferences worldwide to address important issues in the dry cargo market, shipping in general and global trade.

The chairman of Intercargo is Frederick Tsao, chairman of IMC Shipping Co Pte Ltd of Singapore, who took over on 1 January 1999. The previous chairman was Mr Sverre Tidemand, chairman of Belships in Oslo. All previous presidents were and are equally important ship owners from Europe and Asia.

The president of Intercargo seeks to ensure the cooperation of the association with other shipowners associations and has started a series of meetings with the presidents of Bimco (Baltic and International Maritime Council), Intertanko (International Association of Independent Tanker Owners) and ICS (International Chamber of Shipping), with the aim of discussing a joint strategy to improve the regulation of the shipping industry and the representation of shipowners. Also, good relations with the charterers are a necessary condition.

The safety of dry cargo ships has been a major concern of the association for the past decade and continues to be of interest to it. The association issues annual publications on vessel losses and accidents in the dry bulk market. In 2000 a number of new committees were established by Intercargo to support the Executive and Management Committee, ensuring that the opinions of its members are effectively channeled to the higher committees, allowing decisions to be made in the most efficient way. This procedure has been greatly assisted by the appointment of members through the Executive Committee as Country Representatives, thus linking members with inspectors in each member's country or region.

Intercargo has been protecting the interests of dry cargo ship owners internationally since 1980 and its purpose is to:

- to give members the opportunity to set industry priorities,

- to offer timely advice and information
- to defend the commercial interests of the members.

The issues that are considered important for Intercargo members and that are ranked among their immediate priorities are:

- the establishment of a free and fair shipping market with the withdrawal of downgraded ships,
- the need to improve the quality of dry cargo shipping, without increasing the shipowner's costs,
- the creation of an environmentally friendly industry, providing a safe workplace for its seafarers,
- participation in the Ship Scrapping Debate
- working with other associations to provide solutions to problems created by the inadequacy of flags and classes
- the discussions with all possible parties involved to ensure a more responsible behavior, regarding the selection and employment of quality tonnage,
- improving communication with legislators and regulators,
- proven service to members,
- the expansion of relations with insurance organizations, etc.
- the contribution of all members to the reduction of ships that do not meet the conditions of Intercargo and international safety organizations

Intercargo is the cost-effective association that gives its members a voice, when individual businesses might otherwise not be taken seriously and ultimately ignored.

2001 was an amazing year of continued progress and growth. The policies were developed and expanded during 1999 and 2000, so the organization enjoys a better financial position following the review of membership fees. The Direction Paper, which was widely discussed during 2000 and finalized in early 2001, will form the basis for Intercargo's future direction.

The Intercargo committees which met frequently during 2001 were the Management Committee, the Executive Committee, the Safety Technical and Environmental Committee (CASTEC), the Trade Committee and the London Committee. These committees are vital to current issues of the Union and their members usefully give their time to provide every effort and guidance on specific

issues.

All committees have made it clear that engagement with members is vital to the healthy continuation of the organization. As a result, a series of meetings were organized with a view to gathering as many important members as possible. The direct contact with the members proved invaluable, as did the contribution of the country managers for their assistance and the local information they provided.

Direct contact with members is of course not always possible. The secretariat therefore continues to issue its monthly bulletins as calendar items through its online services.

Also, the association issued a series of reports and publications. Members received an annual Bulk Carrier Casualty Report, which reported losses in 1999 and previous decades, as well as a terminal report and a guide to Port State Control issues.

On many issues Intercargo has realized that the interests of its members are best served by working with other industry organizations with common visions in the same area of concern as itself, thus avoiding duplication of work. Frequent inter-secretariat meetings took place with the participation of the International Chamber of Shipping, BIMCO and Intertanko. Intercargo continues to be represented with delegates at most IMO meetings and to play an active role in the Consultative

Quality Committee of the International Union of New Experts and at the meetings of the Industry Partners Forum.

2.6 P & I Club (PROTECTION & INDEMNITY CLUB)

In order to protect ship-owners from damages to third parties that are not covered by the insurance companies, they created the Mutual Insurance Associations (Protection & Indemnity Clubs). P&I Clubs are organizations or associations whose purpose is to provide mutual insurance to the ship-owners registered with them. A key aspect of their operation is that P&I Clubs in the event of the loss of a member to cover the various obligations their members to contribute an increased premium in proportion.

P&I clubs or Mutual Insurance Organizations are organizations shared between shipowners and other stakeholders in the shipping trade that offer a type of mutual insurance, [mutual security]. Considering that a marine insurance company offers coverage for hull of the vessel and its machinery, for shipowners, the P&I club has cover for "open risks", which are not insured by insurance companies, risks which

traditional insurers are reluctant to insure. This mutual insurance association provides large gathering information about the risks, which it presents to its members to avoid these risks. The members of which a mutual insurance organization consists are mainly shipowners, charterers and more recently, various cargo providers and warehouse operators have become members.

The purpose of P&I Clubs is to offer protection and compensation to their members. The term protection refers to the responsibilities arising from the employment of the ship as a vessel. The term **compensation** refers to covering any liabilities arising from the employment of the ship as a cargo carrier. A key feature of P & I Clubs and the feature that differentiates them from any other insurance provider is that they are not for profit.

Usually, the policyholder in an insurance company pays his premium for a specific period of time, such as one year, while in the P&I club, the member pays a "call", standard premium. All premiums paid by shipowners to the P&I club will be used later to cover the corresponding risks. Essentially, P&I clubs do not focus on the profit element, since they are controlled by their members with the aim of covering each other for the risks not provided by the insurers. If at the end of the year, there are still funds available in the so-called "pool", next year each member will pay a reduced "call", while if the P&I club has paid a large compensation e.g. after an oil spillage, members will pay a larger call to replenish the available pool to raise the required amount. Also, members of mutual insurance associations can take advantage of the option of offering more insurance coverage with high limits, which is very important for liability insurance because unlike hull and machinery insurance, the costs and value of liability insurance are always unpredictable and very important. In addition, the scope of these coverages offered by the P&I club is not limited by the perils listed exclusively in the club's rules. In many cases, where loss or damage has arisen due to a matter not clearly described in the rules, directors and officers are entitled to discretion to decide whether or not the claim for compensation should be met.

The need for the creation of P&I clubs by shipowners **[and shipowners from the beginning]**, arose when there were few insurance companies, whose premiums continued to rise, the reduction of the risk they assumed and the specific, with very strict conditions, coverages and risks they provided to their policyholders. The handling of cargoes by ships and the risks involved, create responsibilities, disputes between the contracting parties, legal issues and damages, where with the

development of maritime trade and transactions, the above multiply. These affect shipowners and shipowners, which drives the urgent need to redress uninsured losses.

In more detail, P&I Clubs cover several risks but the covered risks differ from Club to Club and depend on the specific type of cooperative (μήπως καλύτερα cooperation?) as well as its object. In particular, we note that they cover:

- 25% rate of damage caused to another ship or property after a collision. The remaining 75% is covered, at least for ships insured in the British insurance market, by the vessel's insurance. Damage to a ship or property resulting from an act or omission that did not result in a collision is also covered.

- Loss or damage to the insured ship's cargo (the costs of removing damaged, worthless cargo is also covered.)

- Loss or damage to a port, platform, or wharf (αποβάθρα), etc.

- Liability of the insured ship as a member of the Tanker Owners Voluntary Agreement for Pollution, which is called TOVALOP (from the initials of the words "Tanker Owners Voluntary Agreement Concerning Liability for Oil Pollution). Pollution insurance presupposes the payment of additional CALLS and is limited to a certain maximum amount.

- Expenses and Compensation for death, injury or illness, both to members of the insured ship's crew and to third parties merely on board or in the vicinity of the ship or employed in handling the cargo. Of course, the insurance covers medical, hospital, funeral, repatriation and crew replacement expenses.

- Compensation for loss of crew's personal belongings and wages due to shipwreck.

- Port charges.

- Towing charges.

The Club must also pay compensation in the following cases:

1. When the damage did not result from illegal or dangerous travel
2. The ship maintained its class
3. The claim has not cleared (this usually happens after 12 months)

The Protection & Indemnity Clubs provide their members with protection and liability, for certain categories of risks which include the following:

- a) Responsibilities towards persons,
- b) Responsibilities with cargo management,
- c) Responsibilities for damages to third parties,
- d) Responsibilities against violations of the legislation of countries of transit

or approach.

The insurance for each ship that wants to become a member of the club can be for a certain time (Fixed Period) or until the end of the current insurance year, which starts from the day the insurance period begins. A prerequisite for a vessel to be admitted to the P&I Clubs is that both the vessel and the machinery are insured for their full fair value.

The majority of P&I Clubs are based in London and have been reduced to a shipping institution. The most important Club is the UK Club with offices in New York, San Francisco, Miami and Tokyo. They are followed by Norway-based Gard, Oslo-based Skuld and several others.

Therefore, there is a need for the security of the goods, the people who board the ships and make the journey and the way they are handled and transacted in maritime trade. The need to cover all the risks caused by shipping, without looking for insurance companies, insurance brokers and the costs that they challenge shipowners and shipowners. The need for full and adequate security in cases of collision, injuries, accidents, pollution and problems, damages that the ship will create in the facilities of the respective country. The need to remind shipowners, their crews and the environment of the risks they will face through a method of providing information and avoiding those risks. Undoubtedly, these needs lead to the search for an insurance company that will "reassure" those involved in the shipping industry.

In summary, the need to cover liabilities, damages, problems, accidents, losses and all the risks that the shipping environment brings to shipowners has resulted in modern shipping the P&I Clubs. These mutual insurance cooperatives, with the specificity of their mode of operation and the way they develop their funds, in order to cover their insured, their members, aim to protect and in support of those entities affected by shipping risks. The creation of these associations contributes to a safer shipping, whose shipping companies are not at risk and are protected, as a result of which they continue to grow and prosper. With these ways the P&I Clubs gave their own importance to the shipping space.

CHAPTER 3: THE BASIC TRANSPORT CONTRACTS

3.1: CONTRACT OF CARRIAGE OF GOODS

The transport of goods by sea is ensured by the sale contract, it precedes the transport contract and is the agreement between the buyer and the seller of the cargo.

The sales contract is the basic agreement in the export process and mentions the goods, the sale price, the method of payment, the means of transport, the risk of loss and who bears it, etc.

The sales contract is an essential private document because it contains essential elements for the contracts that follow, namely the financing and transfer contracts. When there is no agreement between all the contracts that contribute to the correct execution of maritime transport, problems arise and, consequently, it is necessary to harmonize the terms in all contracts so that the goods are delivered from the seller to the buyer without any intermediate problems.

In cases of damage or loss of the goods or the delay in their delivery to their recipient, depending on the terms of the sales agreement, the risks and any costs incurred are shared between the seller and the buyer, however the other participants also take part. However, such problems of payment for the goods hardly arise when the products are sold in the same country, because the seller remains the owner of the goods until their repayment.

Things become more complex when the sale also involves the export of the goods. There is an uncertainty in making the transfer because the seller does not know the buyer of the product and therefore is not in a position to know if the latter is able and willing to pay on time. In this case, the seller risks losing the money he paid for loading and unloading and transportation of the cargo if the buyer goes bankrupt or refuses to pay him. The best possible condition to eliminate any possibility of risk of non-payment by the seller is for his payment as soon as the goods are loaded on the ship, before the sea transport and delivery to the consignee.

For his part, however, the buyer is no better off if he is asked to pay before the goods are received, because he does not know whether the seller is willing and able to undertake their carriage, or even when the goods are loaded on board; whether these will be in accordance with the terms of the contract in terms of their specification, quantity or quality. Therefore, the buyer does not wish to pay the seller before the goods are delivered to him and before he is satisfied that they are in accordance with the terms of the contract.

According to all of the above, it can be seen how important is the role of the documents that represent the goods and record the nature of the transaction being carried out. The contract of sale as well as the contract of carriage of goods by sea includes terms and abbreviations related to the responsibility for payment of expenses

during the process of international trade and international maritime transport. The above terms are included in the payment of costs such as loading and unloading, port, freight, navigation, costs of counting, stacking and arranging the cargo, etc.

Finally, this standardization of international transactions is part of the multi-year efforts of various governmental and international organizations. In addition, a set of commonly accepted rules of interpretation of terms (INCOTERMS) was adopted in this area, with wide use in the field of international trade for greater stability and speed. The scope of these terms covers situations such as the transfer and assumption of responsibility, risk and cost between the buyer and the seller of the goods, as well as matters concerning the freight of the goods, their insurance coverage, the manner and place of their delivery, loading and unloading, customs procedures, etc

3.2: CHARTER PARTY

The charter party is a written and, therefore, an official agreement between charterer and shipowner and today it is the main contract in the free market. In this specific document is recorded the oral promise of the ship owner to make available all the transport capacity of his ship to the charterer for one or more voyages.

The terms of this are negotiable by both parties and the charter agreement is considered valid no matter how it is worded, as long as it is possible to address all issues that may arise. Of course, the charter is governed by laws, which are in accordance with English law which has also been established as common law in the area of the charter market. The jurisprudence of this law is based on the history of settled cases-disputes heard in the past in the English courts concerning similar cases.

Now, in the modern age where everything is done at a fast pace, in order to minimize delays in closing agreements, the contracting parties resort to the use of standard and pre-planned forms of charter parties (standard forms of charter parties). In these standardized forms additions and exemptions from clauses are made to cover the particularities of each transfer. In this way, the charter agreements have a balanced character in terms of the rights and obligations of the contracting parties.

Their purpose, therefore, is to standardize the clauses that, are used so that the process of their establishment is not time-consuming. They are easy to use and have contributed significantly to the facilitation of international transfers, and this is because they are written in an international language (English) and their terms are known. Thus, a bridge of communication between the contracting parties is "built"

much more easily and quickly, in whatever part of the world they are, under the security provided by the charter.

In any other case, the contract is considered valid and simply the party that acted fraudulently is forced to pay damages. On the other hand, the conditions are these whose violation by one party automatically gives the right to the other contracting party to initiate the procedures for the cancellation of the charter contract. The geographical position of the ship at the time of signing the contract, the nationality of the ship, its carrying capacity, etc. are some of the conditions that can be included in the charter. Furthermore, there are also the so-called warranties, which are types of terms that if there is any violation of them by one of the contracting parties, the other is given the right to claim compensation. Examples of such guarantees are the maintenance of the ship, its fuel, its speed, etc. Finally, it should be mentioned that charter agreements may also contain innominate terms, i.e. terms that are sometimes treated by the court as conditions and sometimes as guarantees, depending on the seriousness of the consequences of the breach, such as for example the seaworthiness of the ship.

3.3 BILL OF LADING

The Bill of Lading is a security document, which identifies the ownership of the goods and, in general, the loads, which have not yet been loaded on a means of transport. The bill of lading is generally a proof of loading of goods/cargo and charter contract, especially when no charter party has been drawn up. In our case we will deal with the case of the bill of lading in the Shipping Market and not in the world of transport in general, which is issued according to the terms of the charter agreement.

It is important to mention that the bill of lading must contain some specific information in order to be considered correct and valid. Initially, the document should state the names of the charterer, the shipowner and the consignee, as well as the name of the master of the ship and the distinguishing marks of the means of transport (ship name, port of registry and ship flag). In addition, the place of loading and destination of the goods/cargo should be precisely determined. This contract should also include the distinguishing features of the loaded items, their general condition, as well as the number of parcels or pieces or the quantity by weight of the transported goods (bulk Load). At the same time, the agreements regarding the fare should also be written, i.e. the amount of the fare, the waiting time (delays), the method and time of payment,

etc. Finally, the date of issue could not be written on the security.

The bill of lading is issued by the master of the ship after the goods/cargoes have been loaded. This timing is set to protect and secure the various transactions related to the bill of lading, because it constitutes a credit title transferred by simple endorsement or assignment, and to avoid uncertainty as to whether the mentioned goods/cargoes were finally loaded. Therefore, the issue date is also the loading completion date.

Although the master issues the bill of lading, it is the charterer who chooses how the bill of lading is issued. There are two ways of publishing. The first is the "nominal bill of lading", i.e. it is issued in the name of a certain person (natural or legal) and is transferred by assignment, always in accordance with the provisions of the Civil Code. The receipt of the transported goods can only be done by the person whose name is mentioned in it or who acquired it. The other case is the "Bill of Lading to order", which is transferred by endorsement and the receipt of the goods after the end of loading is carried out by both the person referred to in it and the person indicated by the endorsement.

3.4 CONTRACT OF AFFREIGHTMENT (COA)

The Contract of Affreightment (CoA) is a mixed type of charter, which contains elements from all other types of charter and mainly from the voyage charter. CoA is recognized as one of the newer types of sea freight, which applies to homogeneous cargoes that are to be transported in large quantities and over long periods of time, between specified ports and on specified voyages.

In this charter, the ship-owner promises to satisfy the charterer's needs in volume of goods transported within a period of time (usually one or more years). Within this period a number of two or more loads and journeys is usually agreed upon, but without a specific ship is identified that will perform the charter. The freight is usually calculated based on the amount of cargo carried and can be paid up front or in arrears, depending on the agreement.

This form of chartering is applicable to both dry bulk and oil transportation. It is also not uncommon to find such forms of chartering in liner markets, as well as being used by some shipping companies that undertake ship management in order to perform sea freight services. Typically, the CoA contract covers long periods of time (from one to several years), at least two loads and more than one voyage. However,

the case of chartering for a short period of time and for a single trip is not excluded.

As for the cargo carried on CoA terms, it is usually homogeneous, of a certain type and of large quantities. In the CoA charter, the designation of a specific ship does not matter to the charterer, as long as the ship selected for carriage meets some agreed specifications.

Center of interest is always the load that should be transported by the ship-owner on a ship of his choice. If during the execution of the charter the ship is lost, the contract is not canceled and the ship-owner is obliged to find another ship with similar specifications, in order to carry out the transport of the cargo.

Liner operators usually use specific forms of their own private contracts in this type of charter. When contract carriage is chosen to meet a charterer's need for multiple cargoes the resulting benefits are mutual and significant, as the time of individual negotiations is reduced, cooperation between the contracting parties is developed, flexibility of options is offered and long-term planning and scheduling are improved. of activities and costs. In particular, one like this form of charter gives the charterer – usually a large international industrial organization – the ability to organize an efficient system, reduce the cost of transporting and handling cargo, plan inventory management and limit delays. In addition, through a long-term CoA charter, the charterer has the possibility of fixed transportation costs for the entire charter period, without, however, taking over the commercial management of the ship, as would be done in a time charter. On the other hand, a charter party also provides the ship-owner - usually a large ship operator - with steady employment of the ships and steady income. In addition, a CoA contract often offers the ship-owner more opportunities to finance new vessels, but also greater flexibility in the employment of his fleet.

When the contracting parties negotiate the contracts of carriage they adopt elements of voyage charter and time charter. During the negotiations, great care is required, since it is very easy to make mistakes from the use of different charter agreements and terms in the calculation of costs and the distribution of obligations between the ship-owner and the charterer. The parties are free to agree any distribution of obligations they wish. In practice, however, a certain way of dividing rights and obligations has developed in this type of charter, which is followed with minor deviations during negotiations.

CHARTER 4: THE MAIN FORMS OF CHARTERING

4.1: VOYAGE CHARTER

In this type of charter, the ship-owner undertakes the obligation towards the charterer to transport a certain amount of cargo from an agreed port of loading to an agreed port of discharge for a fixed amount of freight, the amount of which is determined according to the conditions of the freight market. The parties to a charter are free to choose any type of charter they wish and to bring about any conversion in order to serve their interests.

The voyage charter contracts concluded between these two persons, the ship-owner and the charterer, contain a multitude of elements and very important clauses. Some of them are the date and place of signing the charter agreement, the full name and registered office of the ship-owners and charterers, the description of the ship as well as the geographical position of the ship at the time of signing the charter agreement. Also in the charter contracts, for the most part, there are elements such as the approximate date of the ship's arrival at (first) port of loading, the quantity of cargo that the charterer is obliged to load on board, the type and description of the cargo to be transported as well as the port or ports of loading and unloading.

At the same time, it is very common to find in this type of contracts the time frame during which the charterer is obliged to complete the loading / unloading (laytime) as well as the monetary amount of "demurrage" (letters) and "despatch" (acceleration). Additionally, some of the terms (clauses) that are frequently observed are the term referring to the amount and manner of payment of the freight and to the agents as well as the terms mentioned in the bills of lading. Among others, terms referring to arbitration (arbitration clause) and to brokerage clause are included, but also to general damages as well as in cases of strikes, freezes, wars, etc. Finally, the most voyage charters include certain clauses, namely, the "Cessor clause" along with the lien clause, the deviation clause and the exception clauses.

However, apart from the conditions mentioned above, there are several additional conditions aimed at the management of issues, but of secondary importance between the contracting parties.

4.1.1: *EXPENSES OF SHIPOWNER*

Among the obligations of the charter agreement are also the expenses of the trip, which must be settled by both parties to the "agreement". From the shipowner's

side, the costs that may arise in a voyage charter case are the following:

Operating costs (or running costs): include all the operating costs of the ship, such as manning costs, salaries, overtime, hospital and crew costs, seminar and training costs (wages, social costs, sickness costs, travel costs). Also, are included the costs for supplies and provisions, lubricants, spares, insurance premiums (insurance for hull and machinery), maintenance and repairs costs as well as management costs and company administration (administrative costs). The amount of operating expenses is relatively stable and independent of the market in which the ship is employed.

Voyage costs: include all the variable costs related to making a trip, such as fuel costs (bunkers), port charges, which include the costs of pilots (pilotage), tugs (tugs), light dues, as well as anchorage dues.

Capital costs: This category includes all those costs, such as the repayment of loans. The size of these costs depends on the type of shipping finance.

Cargo handling costs: all cargo handling costs are included, such as loading, discharging and stowage costs, as well as the rental of cranes and other cargo handling equipment available in the port. The size of these expenses depends on the type and quantity of the transported cargo. The costs of cooling the cargo and special preparation of the holds are related to the voyage and are not classified as cargo handling costs. As for loading and unloading costs, these are shared between the charterer and the shipowner according to the terms of the charter. If the charter contains any of the synonymous terms "Gross Terms" or "Liner Terms", then the loading and unloading costs are included in the freight, while the term "F.I.O Terms" or its equivalents exempt the shipowner from the costs of loading and unloading.

4.1.2: *CHARTERER'S COSTS*

In a voyage charter, the charterer is obliged to pay the carrier a monetary fee, the freight, for the safe transportation and delivery of the cargo in a merchantable condition to the agreed port of destination. As for loading and unloading costs, as mentioned above, they are shared between the charterer and the shipowner according to the terms of the charter. If the charter party includes "FIO" (Free In and Out) terms, only then the charterer is responsible for the costs of loading and unloading the cargo.

4.1.3: *FREIGHT CATEGORIES IN VOYAGE CHARTER*

Freight payable on delivery: The charterer has the obligation to pay the freight during

the period when the goods are delivered and not when the entire cargo is unloaded, after the ship has arrived at the port of destination safely and has approached the unloading point and if the shipowner is willing and ready to deliver the cargo to the beneficiary. In case the charterer refuses to pay the freight, the shipowner has the right to seize the cargo to compel the charterer to pay the agreed freight. If the cargo is lost on board, regardless of the cause of the loss, then the charterer is relieved of his liability to pay freight (*Dakin v. Oxley*). However, if the shipowner was prevented from carrying the goods to their destination by an act or omission of the cargo owner, then the full freight is payable (*Cargo ex Galam*). Unless otherwise provided in the charter party, freight is payable upon delivery of the goods and calculated according to the quantity of cargo delivered (*Krall v. Burnett*).

Full and partial freight (or full & short freight): In case of damage to the cargo, the charterer must pay the full freight upon delivery of the cargo, but has the right to compensation (unless the damage was caused by causes included in the "excepted perils") for the breach of the shipowner to deliver the cargo in the same good condition as it was loaded (*Dakin v. Oxley*). Sometimes, the charter party provides that the charterer has the right to reduce the freight for "short delivery", i.e. for delivery of an incomplete cargo (*The Olympic Brilliance*). In case of unjustified deviation of the ship, the fare is not payable. However, as long as the cargo reaches its destination safely, the shipowner is entitled to a reasonable remuneration according to the "quantum meruit" principle, i.e. based on the proportional work performed.

Advance freight: Paid in advance, before the cargo is delivered to the agreed port. Here, the payment of freight is not dependent on delivery of cargo, so the freight is payable even if the ship and the cargo are lost (*De Silvale v. Kendall / The Karin Vatis*). If advance freight is paid before the cargo is lost, this freight is not refunded to the charterer.

In case of loss of the cargo from a risk for which there is a discharge of the shipowner, the charterer is obliged to pay "advance freight". Advance freight is refunded only when the shipowner violates an implied condition (seaworthiness, deviation, reasonable despatch) or when the cargo is lost due to a risk for which there is no release of the shipowner. More generally, this type of fare is considered the most important and is applied both in the free market (tramp market) and in the liner market. The term "advance freight" should not be confused with the term "advance of freight", which refers to cash advances paid by the charterer to meet the day-to-day

needs of the ship. These advances are netted at the final settlement and deducted from the final fare amount payable. However, they are not a fare that must be paid in full in advance, but advances against the fare payable.

Lump sum freight: It is the lump sum payable for the use of all or part of the ship. This type of fare is calculated based on the tonnage of the offered vessel and is not directly related to the cargo to be carried. Therefore, the flat rate is paid regardless of the total quantity of cargo carried. If "lump sum freight" has been agreed, the shipowner is entitled to the full freight, even if only part of the cargo reaches the destination. But if the entire cargo is lost, the shipowner is not entitled to freight.

Dead freight: In the event that the charterer has breached the contract without loading a full and complete cargo, the shipowner has the right to claim the collection of the so-called "dead freight". "Dead freight" is not considered as freight, but a way of compensating the shipowner by the charterer, due to a breach of the charter. The amount of "dead freight" is equal to the amount of additional freight that would have resulted in the shipowner loading a full cargo, reduced by the additional costs of loading, transporting and unloading the products, saved by the shipowner by not loading a full cargo. As can be seen from the above, "dead freight" is compensation and leaves no margin for additional profit to the shipowner (*Mc Lean & Hope v. Fleming / The Ionian Skipper*).

Back freight: In case the delivery of the cargo to the consignee is prevented for reasons beyond the control of the master and the shipowner (e.g. refusal or inability of the consignee to receive the cargo), the shipowner must in extraordinary actions (e.g. unloading, transshipment, transportation, storage of the cargo) and expenses to protect the interests of the owner of the cargo, the charterer and of course his own. To cover the above expenses, the shipowner is entitled to an additional freight called "back freight" (*Cargo ex Argos*).

Pro rata freight: Paid proportionally, based on the distance traveled (distance freight) or the partial load delivered. In this case, due to external factors beyond the control of the shipowner, part of the agreed voyage has been completed and the cargo is ready for delivery at an intermediate port (*Hill v. Wilson*). The charterer does not have the right to abandon the cargo to the shipowner without the payment of freight, nor does the shipowner have the right to unload the cargo arbitrarily at an intermediate port and then demand the pro rata freight. If the owner of the cargo refuses to receive it at an intermediate port, the shipowner will have to choose whether to transport the cargo to

its destination by another means of transport demanding full freight, or whether to deliver it to an intermediate port free of charge.

In general, for a claim to collect proportional freight from the shipowner to be justified, the consent of the cargo owner to receive the cargo at an intermediate port is necessary (*Mitchell v. Darthez / Christy v. Row*).

Ad valorem freight: Calculated based on a percentage of the value or price of the cargo being transported. Rules regarding the time at which freight is considered earned and payable are often found in the various charters. Clauses such as the following: "freight earned and payable upon shipment, ship and cargo lost or not lost", are often found in voyage charters and state that the shipowner is entitled to freight at the port of loading and the freight is non-refundable if part of the cargo or all the cargo and the ship do not reach their destination. In this case, the charterer bears the risk of the charter. The fare may not become payable at the same time it is considered earned. Thus, it is possible for voyage charters to contain the following clause: "freight earned upon shipment", combined with the following clause: "freight payable before commencement of discharging" or otherwise "before breaking bulk (discharging)

4.1.4: *COMPENSATION IN CASES OF DELAY-ACCELERATION*

In case the charterer uses the ship either during loading or unloading, more time than what has been agreed upon there is a clause in the charter party that states that the charterer is entitled to keep the ship in port for additional days (beyond laydays) until complete loading / unloading, but is obliged to pay the shipowner an agreed daily amount, known as "demurrage". The agreed amount of demurrages will be set at a price relative to the fare levels at the close of the charter. The letters are a liquidated form of compensation (liquidated damages) to the shipowner, for the delay of his ship. Therefore, the shipowner is not obliged to prove the damage he has suffered, but even if this damage is greater than the demurrage compensation, he is only entitled to the agreed demurrage rate. Conversely, even if the actual damage is lower than the demurrage compensation, the shipowner is entitled all the "demurrage rate" agreed upon from the beginning. The liability for the payment of "demurrage" arises immediately after the end of the "laydays". For the calculation of "demurrage" the day is counted as a calendar day of 24 hours. The periods excluded during "laytime" such as Sundays, holidays, bad weather conditions, etc., are not deducted

when calculating "demurrage" (once on demurrage always on demurrage), as long as the available time of "laytime" has been used up and the ship is already "on demurrage". Only when there is a well worded clause in the charter party can the demurrage time be limited. This limitation, for example, appeared in clause 7 of the earlier version of the Gencon charter (edition 1976): "ten running days on demurrage at the rate stated in Box 18 per day or pro rata for any part of a day, payable day by day, to be allowed Merchants altogether at parts of loading and discharging". In practice, the phrases "ten running days on" and "payable day by day" are usually deleted from the term. When the delay is due to the fault of the shipowner or is done for his convenience, then no obligation of the charterer to pay "demurrage" arises. Many times the responsibility for the payment of "demurrage" is transferred either to the recipient of the cargo (when the "cesser clause" is included in the charter agreement) or to the holder of the bill of lading or to the shipper (when the bill of lading contains the term: "freight and all other conditions as per charter"). According to this clause, "demurrage" is payable day by day. This phrase allows the shipowner to claim payment for each day that his ship is in demurrage and then exercise a lien on the goods upon discharge, as long as the demurrage is not collected. Also, if the phrase "payable pro rata for any part of a day" did not exist, any part of the day in which loading / unloading occurred during the "demurrage" would count as a whole day (implied term).

On the other hand, however, it is possible for the ship to gain time because the loading/unloading took place in a time shorter than that agreed upon as laytime. In this case the charterer is entitled to compensation from the shipowner known as "despatch money". Usually, the amount of acceleration is equal to half of the agreed "demurrage", although it is possible to agree something different. Acceleration time is calculated in several ways. Thus, charterers are sometimes entitled to claim compensation for the whole year from the moment loading/unloading was completed until the time "laytime" would expire including holidays, holidays, bad weather and other exceptions to "laytime" (all time saved) and sometimes for the time from the moment loading was completed / unloading until the net balance until the expiration of the "laytime" time (all laytime saved), i.e. in this case the times that fall under "laytime" exceptions are subtracted. The last case is the most common in practice. It should be noted that customary law does not provide for an implied term of acceleration.

Finally, there is also the case in which it has been agreed by the contracting parties of the agreement (charterer-freighter) that the calculations of the letters and the acceleration be done separately for loading and unloading. If there is more than one port of loading or unloading, only one calculation is made for all ports of loading together and another for all ports of unloading. The basic principle of separate calculations is often violated by a special agreement in the charter party. This agreement may have the following wording: "time allowed for loading and discharging, 8 days altogether" or "time allowed 8 days all purposes". Sometimes also the words "reversible" or "average" are used, as for example in the clauses: "3 days for loading and 5 for discharging, loading and discharging times to be reversible" , or "3 days for loading and 5 for discharging. Charterers have the right to average loading and discharging times". In the first case (reversible laytime), the separate loading and unloading times are added and give a total time, which should be spent in total for both processes (loading - unloading). Thus, if subtracted from the total time that was spent on loading, the remaining time should be spent unloading. If it is assumed that the ship "spends" all its total time loading, then the ship will be on demurrage from the moment of its arrival at the port of discharge.

In the second case (average laytime), loading and unloading calculations are done separately. Then, the demurrage and despatch times are offset, and finally the corresponding despatch or despatch amount is paid, depending on the final result. However, the result will usually be the same whether "reversible laytime" or "average laytime" is used.

Laytime clauses often give the charterer the right to choose the method of calculation, such as the clause "laytime for loading and laytime for discharging to be reversible in charterer's option". In this case, the shipowner is always at a loss, from the point of view that the charterer makes a separate calculation and calculation with "reversible laytime", finally choosing the most economical method for him.

In conclusion, it should be emphasized that the loading operation is completed by loading and stacking the cargo on board, while the unloading process is completed by delivering the cargo to the port of destination, on the wharf, next to the ship. After completion of loading, the risk passes to the shipowner, who must perform the agreed voyage (carrying voyage).

4.2 TIME CHARTER

A ship's time charter is defined as the type of charter in which the ship owner leases his ship to the charterer for an agreed period of time against a monetary fee, known as hire. Depending on the way and purpose employment of the ship, as well as the place and time of delivery - re-delivery, time charters include three main forms: trip time charter (trip t/c), round voyage time charter (round voyage t/c) and periodic time charter (period t /c).

In the first case, the time charter is similar to the voyage charter, since the ship will have to perform a specific voyage. The difference is that the shipowner collects hire per day for the time the vessel is in use, instead of a unit freight rate as is the case with a voyage charter.

The second case is - like the first - a mixed form of charter, as the charterer charters the ship to perform a round trip and therefore undertakes the obligation to re-deliver the ship to the same port or area where he received it.

The third case is the usual time charter, in which the ship is chartered for a period of time and employed within the limits of a specific geographical area or worldwide. Redelivering takes place in an agreed geographical area, e.g. **US East Coast**. The time period of the charter can last from a few days to years.

In the time charter, the charterer undertakes the commercial employment of the ship (commercial employment) and is therefore burdened with the variable cost of the ship (voyage cost) which includes fuel costs, port dues, loading and unloading, etc., as well as of course the rent ship's. However, the management of the ship (operation and management) and therefore the payment of the fixed cost (running or operating cost) and the capital cost remain the responsibility of the shipowner. Many times, it is common for the contracting parties to agree on charter renewal options, e.g. the charterer or the shipowner being entitled to request an extension of the time charter for a certain period, on the same or revised terms or on terms to be mutually agreed upon.

4.2.1 DELIVERY OF THE VESSEL

The shipowner has the obligation to deliver the ship to the charterer seaworthy and in accordance with the requirements of the charter. The shipowner is obliged to make the agreed ship available for the execution of the charter. He has the right to use another ship only if this is provided for in the charter agreement.

The place of delivery of the ship is sometimes less and sometimes more specific in the charter. Thus, sometimes a specific port or wharf is specified and at other times a wider area is specified. Usually, the port of delivery is determined by the charterer and is an important point of negotiation, particularly when the vessel is free at a port other than the one at which the charterer needs it. Delivery of the ship may not take place at the port or wharf, but at the embarkation station outside a port.

Usually time charters include terms referring to safe ports. When such a condition exists, the charterer is obliged to employ the chartered ship between safe ports. This term applies to any port at which the ship may enter, use and leave safely. A port will be considered unsafe if the commercial delay is such that it leads to cancellation of the charter. Great importance is given to the time and duration during which the port is considered and remains safe. It is possible for the port to be safe at the time it is designated by the charterer, and unsafe at the time it will be used by the ship, and vice versa. In any case, when there is an express or implied obligation of the charterer to designate safe ports, at the time of the charterer's order, the port must be stated to be safe at the future time of the ship's arrival, stay and departure from it.

The delivery time of the ship is agreed between the charterer and the shipowner during the negotiations. Specific terms in the time charter agreement determine the length of time of the charter expressed in days, years or even a combination thereof. Many time charters state that delivery of the vessel is accepted only during working days and office hours. It is understood that the movements of the ship in one time charters cannot be planned with absolute precision, so as to ensure the arrival of the ship at the redelivery port on the date of the charter. To avoid such problems, the basic period of the charter and the date of redelivery of the ship are described with the word "about". If the shipowner delivers his ship earlier than the time stated in the charter, then the charterer is not obliged to accept it before the agreed "laydays" of delivery begin to count. In the event that the shipowner delivers his ship later than the agreed delivery time or delivers it to a port other than the agreed one, then the charterer has the right to cancel the contract.

Usually, there is a clause in the charter contracts that states that the charterer is responsible for paying for the fuel on delivery. Because upon delivery of the ship the responsibility for payment of various expenses (e.g. fuel, port charges, agency fees) passes from the shipowner to the charterer, it is usually agreed between the parties that carrying out a joint inspection of the ship (joint on-hire survey) by independent

inspectors which acts as a basis for cost sharing. The relevant reports (on-hire survey reports and damage reports) record the exact time of delivery, the quantities of fuel and the condition of the ship at the time of delivery.

Charter agreements provide that the charterer is obliged to return the ship in the same good condition as it was at the time of receipt, excluding physical wear and tear. It is not the responsibility of the charterer to repair damage to the ship before handing it over to the shipowner. If re-delivery is damaged due to the charterer's breach of any term of the charter or the negligence of persons for whose actions the charterer is responsible, then the shipowner may claim the cost of repairs and any eventual loss profit during the time of repairs. In the time charter, the supply of the ship with fuel is one of the most basic terms of the charter. The charterer is fully responsible for finding and purchasing fuel upon delivery of the ship and the shipowner must pay for the fuel remaining on the ship upon redelivery.

4.2.2 SEAWORTHINESS

According to this condition, the shipowner must deliver to the charterer a seaworthy and fully equipped vessel for the carriage of the cargo. The concept of seaworthiness includes three separate elements:

- The seaworthiness from a technical point of view (technical seaworthiness) which refers to the design, the condition of the ship and engines, as well as the stability of the ship.
- The suitability in relation to the transported load (cargoworthiness).
- Seaworthiness for the intended voyages.

A ship is unseaworthy if at the time of delivery:

- The ship's manning is insufficient or inappropriate.
- The ship does not have a mycicide certificate from the port health authorities.
- The ship does not have the required certificates, such as "certificate of class", "certificate of approval", "certificate of competence", "certificate of clearance", "certificate of disinfection".
- The ship's holds are not clean and ready to receive the cargo and transport it safely.
- Damages occur to the ship, which are not repaired within a reasonable time.

More generally, a ship is characterized as "unseaworthy" when some feature of it has the effect of endangering the safety of the ship, crew and cargo, or making it

practically or legally impossible to sail, load or unload.

For the charterers, it is necessary not only to deliver the ship seaworthy according to the terms of the charter, but also to keep it in the same good order and condition during the charter.

4.2.3 COSTS

The expenses borne by the shipowner during the time charter are:

- Operating costs (Operating or running costs): In this category are classified all the operating costs of the ship, such as manning costs, salaries, costs of hospitalization and movement of the crew, costs of supplies, lubricants, insurance premiums, ship maintenance and repair costs and management costs. The amount of these expenses is relatively stable and independent of the market in which the ship is employed.
- Capital costs: This category includes all capital costs, such as the repayment of loans for the acquisition of the ship and the payment of interest. The size of these expenses depends on the type and amount of shipping finance.
- The ship owner also bears the cost of fuel during redelivery of the ship to the agreed port.

The main costs of a shipowner in the case of time charter are the operating costs (operating or running costs). These costs include the ship's operating costs, such as manning costs, salaries, crew hospitalization and transportation costs, supplies, lubricants, spare parts, insurance premiums, ship maintenance and repair costs and management costs. The amount of these expenses is relatively stable and independent of the market in which the ship is employed. In addition, the shipowner bears capital costs, such as loan repayments and interest payments. The size of these costs depends on the type of shipping finance. It should be mentioned that the shipowner also bears the fuel costs when the ship is re-delivered to the agreed port.

On the other hand the charterer is responsible to bear all the variable costs of the commercial operation of the ship. Such costs are the voyage costs, where they include all the variable costs related to the realization of individual journeys, e.g. fuel costs, port fees, channel crossing costs, ferries, navigation costs, towage costs, anchoring costs etc. In addition, cargo handling costs are also considered commercial operation costs. These costs include the costs of loading, stacking, arranging and loading, discharging & stowage costs.

It is often found that the charter does not clearly contain the allocation of costs. As a general rule, however, it can be stated that all the compulsory expenses of the ports are for the account of the charterer, since they are a direct consequence of the commercial use of the ship by the same. The payment of the remaining costs, which are not mandatory or not clearly specified in the charter, depends on each individual case. Characteristic examples of expenses that are a "field of dispute" are the cost of guarding the ship (watchmen), the cost of garbage disposal (garbage) and the cost of agents (agency fees). Finally, in a time charter the charterer is also responsible for paying the rent throughout the duration of the validity of the charter, from the moment of delivery of the ship until its re-delivery.

4.2.4 *CHARTERER'S OBLIGATIONS IN TIME CHARTER*

The clauses of the charter agreements and time charters essentially define the obligations that each contracting party has towards this agreement. One of the main obligations of the charterer is to drive the ship within the geographical limits defined in the charter by the shipowner, always in consultation with the insurance companies that support him. In case the charterer ignores this and violates these limits, he is obliged to pay compensation to the shipowner. Also, not only must the ship move within geographical limits, but also in safe ports. Something like this is not expressed in writing on the charter but is implied and he must take care of it. Using such ports for the transport of products creates a sense of security for the shipowner about the state in which his ship will be - that it will not be damaged etc.- and for the safety of his crew. At the same time, the charterer should take care that the sea transportation is legal and the cargoes are also legal. A legal carriage with legal cargoes is achieved when they fall under the law of the ship's flag, the law of the port and the law governing the charter party. Every dangerous cargo creates a risk of accidents and damage, which the charterer will be required to cover. All procedures for loading, stowing, arranging and unloading the cargo are done at the expense of the charterer and under the supervision and responsibility of the captain. Finally, the charterer has the responsibility to deliver the ship in the same good condition as he received it, at a specific place and within a predetermined period of time. We can also mention:

- a) To observe the time period of the charter.
- b) To carry out the agreed trips.
- c) To pay the fare (payment of hire)

d) To assume all the variable costs of the commercial operation of the ship, such as bunkers, port charges, light dues, pilotage, tugs, mooring anchorage dues) etc.

e) To undertake cargo handling costs, such as loading, discharging & stowage costs.

4.3 BAREBOAT CHARTER

This particular type of charter is different from the others. Bareboat chartering involves leasing the ship from the shipowner to the charterer without a crew. This means that the charterer assumes all the costs of the ship as well as the costs for maintenance, crews, security etc, but excluding capital costs.

Due to its diversity, this particular form of charter is also the most unusual. However, because in the field of trade and shipping developments are rapid and investment trends are constantly changing, this type of charter is becoming more and more common. Many investors also take the opportunity at the end of the charter to buy the ship, so as to avoid taxation.

The charter time is defined in the charter agreement with the agreement of both contracting parties. There is no limitation on the duration of the charter, just often when it is long, it is linked to a management agreement. As mentioned above, after the end of this period or even during the charter there is the option to buy the ship.

In this way the bareboat charter becomes more of a financing arrangement than a charter arrangement, in which the shipowner has excess capital to invest and the charterer acquires a vessel without having that capital. So one could easily arrive at conclusion that this type of charter constitutes a form of financial leasing which consists of three main parties: the seller, the financier and the charterer, with the latter become the owner after the expiry of the lease.

In conclusion, we conclude that the benefit of bareboat chartering is mutual. On the one hand, the shipowners in this charter can be people with or without shipping experience, who have the possibility to invest in a ship, without taking responsibility for the organization and management of its daily processes. On the other hand, charterers are experienced shipping businessmen or large organizations that undertake ship management without having to invest very significant capital for it.

4.4 CONSECUTIVE VOYAGE CHARTER

Consecutive voyage charters feature particularly well characteristics and are included in the mixed forms of charter (hybrid charters). With this type of charters, continuous voyages are performed between predetermined ports within a specified period of time. The charter party can be one that is also used in single voyage chartering, slightly modified of course, or an idealized continuous voyage charter party which will constitute the main charter party in itself or be attached to a voyage charter party with additional terms added.

4.4.1 *OBLIGATIONS OF SHIPOWNER AND CHARTERER*

From the definition that was attempted to be given for what is chartering continuous voyages, it follows that there are two cases, that of running fixed itineraries between specific ports, while the second case is that where the charterer can choose any voyage within agreed commercial and time frames. In both cases the charter terms of the trip are negotiable for both contracting parties.

Thus, it is obvious that the allocation of risk and costs as well as the rights and obligations of the charterer and the shipowner in the charter contract they draw up are similar to the charter contracts that concern voyage charter contracts. So, it would be redundant to mention them again, as they are all included in the "Voyage Charter" section. The noticeable difference, and perhaps the only further attention to be paid in this case, is the problems that can arise due to the "time" factor. Particular attention must be paid by the contracting parties when determining the level of freight and the amount of letters and this because there may be differences due to fluctuations in the price of currency or fuel for example and the charterer may try to take advantage of the situation in burden of the charterer taking advantage of the differences in the charter.

4.4.2 *DURATION OF CHARTER*

The obligations of the shipowner and the charterer may be the same as in the voyage charter, but the duration of the charter differs in this case. In this case the duration of the journey is determined either by reference to a number of trips or to a period of time. Of course, it must be emphasized here that the fare payable depends on the number of laden voyages that have taken place and not on the ship's operating time.

4.4.3 *LOADED RETURN JOURNEYS*

The laden return journey to a new place of loading is defined, once the initial cargo has been unloaded. His load of this trip can be either full or partial. It is a common phenomenon on vessel returns in the case of continuous voyage charters. However, the shipowner is only compensated in case of additional loss time or in additional expenses in relation to the corresponding ballast voyage which will be carried out anyway. How much is attributed to him and collected is that of the letters and not the full fare.

4.4.4 *TRAVELLING UNDER BALLAST*

In the event that the ship runs fixed itineraries between two specific ports, there is a relative balance in the distances traveled by laden and unladen journeys. In this particular case it is common to find a full load on the return journey.

It is in the interest of the shipowner to be able to ensure that at least half of the return voyage shall be freight, for the freight is only payable for such voyages, and the charterer is bound to pay the due amount to the shipowner. In the event that the unladen distance of the voyages exceeds the loaded one, the shipowner will be compensated for the loss of time corresponding to the additional unladen distance traveled, collecting from the charter party the percentage of the letters for that time.

PART B

CHAPTER 5: FUNCTIONS OF TANKER MARKET

An oil tanker is built to transport oil in bulk. The main types of tankers include those carrying crude oil and those carrying petroleum products. Crude oil tankers transport crude oil from mining areas to refineries, while petroleum tankers transport refined oil from the refinery to nearby consumer markets. Tankers are generally categorized by size (Panamax, Aframax, Suezmax, VLCC, and ULCC). The part of Shipping associated with tankers provides an economical and convenient way of transporting liquid bulk cargo, serving the international maritime trade. Many shipping economists believe that the supply of tanker shipping operates under conditions of perfect competition and various characteristics (W. Hayler, J. Keever, P. Seiler 2009).

It is often said that the tanker market is similar to the economic definition of an ideal market whose characteristics are that information is freely available and

exchangeable. If this is true, then the information is passed through the charter channels which are used by charterers and shipowners. Freight brokers are part of the operation of the tanker market:

5.1 THE PLAYERS IN THE MARKET

There are players in the market and during the ship charter process they can be categorized in three parties:

- the shipowner to whom the ship belongs
- the charterer who selects the particular vessel and
- the broker who is between the shipowner and the charterer and makes the deal.

The shipowner is the owner of the ship and operates it for his own profit. A charterer is someone who wants to hire a ship for the transport of either cargo or passengers. The cargo may or may not belong to the charterer. The charterer may carry it on behalf of another party. Sometimes a charterer can take a ship with lease and re-hire it elsewhere for the carriage of cargo or passengers, at a profit. The charterer plans the ship's voyage and the arrangements for handling the cargo during loading and unloading. As such, he is responsible for the safety of the ship, crew and cargo. The charter agreement is signed between the shipowner and the charterer. It is also not unusual for a charterer to own vessels or hold some on time charter, as some shipowners will have a permanent contract of carriage and will sometimes look for vessels to charter in order to meet the requirements of a charter, so the roles of the charterer and of the shipowner are interchangeable.

Brokers help to identify the right customer for a ship owner who wants to charter their ship or vice versa. They charge a fee or commission to the shipowner for their services. The commission may be a percentage of the total cargo paid to the shipowner by the charterer. In the process of chartering ships it is common to find brokers who specialize in chartering certain types of ships, such as e.g. for transporting goods such as dry, wet fodder, etc. The broker is not responsible for the ship, its operations or the cargo it carries. He is merely the intermediary between the shipowner and the charterer.

At the same time, there are equally important parties that play a role in a charter: The shipper and the Broker. The broker, for a fee, arranges for the shipowner

and the charterer to come into contact and arrange the details of the creation of charter contracts.

The main responsibilities of the broker are:

- Depending on the interests it serves, of the shipowner or the charterer, it looks for the best cargo to be transported or, respectively, the best ship to transport the charterer's cargo.
- During the charter process the shipowner and the charterer do not have direct communication with each other, as the charter broker undertakes the validation of the agreement.
- Drafts the charter agreement based on what was agreed between the parties involved.
- He signs on behalf of his client.
- It settles the financial issues of a charter.

5.2 THE DIFFERENTIATION IN MARKET FOR TANKER CHARTERING

The most important sector of the charter market is the tanker market, where there are large fluctuations in the rates. The tanker market is segmented. The main segmentation criteria are the type of cargo carried and the size of the ships. In the tanker market (charter) we have a classic example of what we call "perfect competition". In this market we have large, homogeneous quantities of goods of relatively low specific value. The spot rate can fluctuate up to 800%, while fluctuations of 10-15% are considered insignificant. Consequently, this results in the margins of profit or loss being huge both for him for the shipowner as well as for the charterer. As it is easy to understand, the ability to predict fares plays a decisive role. The structure of the tanker market is based on four basic principles (which also support perfect competition):

1. Mobility
2. Ease of entry
3. Large number of ship owners
4. Homogeneity

1. Mobility

Mobility is the key element of maritime transport. A ship is not bound to a geographic area, but can travel offering services wherever its owner wants, making it easy to enter or exit a market.

2. Ease of entry

Entering the charter market is easy, especially compared to the liner that is dominated by joint ventures. No complex administrative structures are required to operate a tanker and taking out loans is relatively easy. Also, it should be emphasized that most companies in the charter market only own one ship since the market is structured so that large companies do not have advantages over small ones.

3. Large number of ship owners

The fact that there are many shipowners makes any attempt to collude to influence charter prices (unlike the liner charter market) difficult.

4. Homogeneity

Tanker technology is generally homogeneous and known. This means that all tankers are able to satisfy the same purposes. Thus, it is impossible to demand higher fares in the case of claims to offer "special" services.

Tanker owning companies operate in the free market regime, as is also the case with all vessels operating in the transport of bulk cargoes.

It is also characteristic that in the past the largest oil companies owned a very large part of the D/X fleet, and thus they could very easily control the market. This fleet in recent years has begun to decrease visibly, as oil companies prefer to have in their possession a very small number of tankers and for the additional demand to charter from the free market.

More specifically, while in the past (a few decades ago) almost all tankers belonged to oil companies, nowadays only 25-30% of the world's fleet belongs to them. The rest of the transport needs are covered by individual independent shipowners (about 80-90% with time charters and 10-20% in the spot charter market). An independent shipowner is one who has no transport requirements of his own.

Their move is a strategic choice, as due to the new and stricter regulations, which have been established in recent years, such as the American O.P.A. '9010, clean-up costs after an accident, were deemed unprofitable.

Another characteristic that governs the freight market in tanker sector is that the largest percentage of goods transported is basically crude oil. In this case, it is very rare for tankers to find cargo on their way back to the areas where they load the

oil, with the result that most of their return trips are made in ballast.

The market in tankers is peculiar, as the providers of the commodity to be transported (i.e. oil) are few and join together thus controlling not only the oil market and the conditions for conducting its trade, but often also certain sectors of global economy. In other words, a small number of charterers play a dominant role in the market.

5.3 SHIPOWNER/ BROKER RELATIONSHIP

Brokers earn income only after the ship is cleared. Cargo quoting, item listing, and equipment allocation are services that must be provided and completed in order to make money. Take, for example, a tanker entering the Middle Bay with ballast from Japan in 10 days. How does the market work? The vessel is part of a small fleet, and the shipowner's broker will list it as a contact. The shipowner's broker will be thinking about the next voyage before the ink is even dry on the recapitalization of the vessel he is now sailing on. They will look to see if there is business suitable for a long-term or short-term timeshare (depending on market levels and how they read the market for the next voyage from the intended port of origin). Brokers who have secured a vessel for the current voyage, of course, know where the vessel is, and use that information by tracking the right cargoes before competitors know when and where the vessel will open. If the current voyage is successful, the broker will try to sell the vessel for another voyage with the same charterer. If the shipowner and charterer have agreed on the previous voyage, the charter party will be negotiated more quickly. Once the vessel is in circulation, the shipowner's broker checks the competitor's status and looks to see what business has been reported and confirmed. Careful observation of other tonnage positions will give an idea of what the competition is like and how many ships are fixed on private terms. One criticism of the tanker market is that a lot of business is fixed on private terms, but if a broker is offered a private cargo, it would be ridiculous not to approach the shipowner with a position and fix it if possible. In one shipowner's experience, over 70% of the cargo to be fixed was privately quoted. Whether such fixes are reported or not will also change the perception of market activity and the level of activity.

5.4 CHARTERERS/BROKERS THE OFFERING PROCESS

Shipowners try to determine how many ships and how many cargoes are likely

to be quoting around that at time whilst gauging which way the market is likely to go.

They say the market is driven 90% by emotion and 10% by facts, so how does emotion affect it? However, it is not. A cynical observer would say that in decline, even a small one, the sentiment is all doom and gloom, the horizon is the “trough” and in a rising market the horizon is the “sky” with the feeling that the market is unlikely to drop-for taking a long term view sentiment should be, at best ,a minor factor.

Brokers make sure that all owner clients in Europe, the Far East and the United States are also quoted by foreign brokers. Brokers have electronic systems for transmitting information to owners. The reason for quoting a business, as far as possible, is to obligate the owner broker to provide business through that broker, in other words, the owner will provide business through that broker, at that point the owner broker must decide what channels he will support.

The broker wants to at least make an offer to the charterer on the vessel to show that he is doing his job. If you are a charterer with cargo on board, the worst experience is the inability to find the vessel or the shipowner's disinterest.

Is the shipowner a "first-come, first-served" broker, or is it the broker with the "best service" or "most information," perhaps "turn-by-turn"? These are just some of the factors to consider when making this important decision.

None of them will ever have the right answer. Also, shipowners with a large fleet and shipowners with a small fleet or with one ship of a certain category have different priorities: a MEG/Far East shipowner with one VLCC makes about nine voyages a year, which gives the broker nine opportunities to earn commissions, while a shipowner with 10 VLCCs can offer 90 fixed opportunities. Therefore, the approach of large shipowners to brokers is different. First, shipowners are unlikely to offer vacancies on their ships on a regular basis. If they do represent them, shipowners instruct brokers to represent them on the basis that they may have a vessel with a position.

This usually means that all market quotes are obtained by that owner, and with a number of brokers missing quotes, this omission becomes noticeable.

Another factor to consider is which broker has the most information. When the bids start coming in, the brokers making the bids will know what is going on before the charterers do. So they are in a position to inform other clients about the situation. The shipowner is tempted to choose which channel to use and at what rate to make the offer.

Should the shipowner make an offer? If the vessel is open and needs work, the answer is yes. Of course, if the vessel is in the right place, the right size and within the length, width, size and age restrictions, then it will be hired. However, suppose your vessel is a little different. What if the vessel is a little older or has had a pollution accident in California? Without knowing the charterer's priorities, the owner can't be sure that there won't be more than two cargoes with a wider date than the actual estimate. Therefore, the owner makes an offer.

When should the owner make an offer? Immediately after the appraisal. Make a final offer or wait until after lunch? The right answer depends on how the charterer wants to work. Some charterers based in London and Genoa like to check the dominant U.S. tonnage offered from New York. This tends to encourage shipowners to hold off on shipments in case the market improves or more favorable offers appear. Other charterers know what rate they can afford to pay and are likely to operate the first vessel offered. This means that shipowners cannot afford to wait, and if they want the business, they have to make an offer as soon as possible.

Owner-brokers have many offers on their computers for various types of business voyages and time charters which they will amend to include the relevant points, including charterer's name, ship's details cargo, load portmanteau, discharge port/range, dates, freight rate, demurrage rate any applicable clauses such as Conoco Weather Clause charter party form.

When offering to oil majors it is better, but not essential, for the owner to select the charterers charter party form. A word of warning when offering to less well known charterer, it is better to use "ASBATANKOV" as opposed to an oil major's form. (Doumanis Dam. A., 2022)

The owner now offers firm, maybe by telephone or telex or fax. At this stage the method is less important than the duration of validity of the firm offer. Quite often tanker owner's offer for "10 minutes", at this stage of the negotiation they would not expect a reply within that period, but it gives the charterer the opportunity to see that the owners are serious about the business- those of you familiar with dry cargo chartering could think of this as equivalent to giving a "firm confirmation". The charterer will collect offers via the brokers ideally until there are a number of choices and then the decision will be taken as to which vessel receive the first counter. (Doumanis Dam. A., 2022)

Firstly, the deciding factor is whether the vessel is acceptable in the ship

review procedure, then other influencing factors such as bid rate, cargo size, vessel size, approvals from other oil companies, owner's reputation, vessel location and readiness. The charterer will then make a firm offer or counteroffer (usually a refusal and re-offer) with all charter terms, which usually depend on the rate. (Doumanis Dam. A., 2022)

The rate offered at this time has a significant impact on whether the case is resolved quickly or slowly, and is passed on in turn to all vessels who made the original offer.

If the market is bad, it is only natural that traders will ask for a lower rate than the previous rate, but how much lower?

But how much lower? In a firm market, traders will try not to pay more than they did last time, while shipowners will try to get an improvement over that level. The nature of any negotiation-but particularly when working the "spot" tanker market- is that if the other side accepts your first time you must have offered "too high"(charterers) or "too low" (owners) whereas it is possible that the other side has decided for instance, that to put "one ship away" they will take the rate. Whether the rate agreed under such circumstances is high or low will only be clarified within the context of the market over the ensuing few days. (Doumanis Dam. A., 2022)

5.5 CARGOES AND PRICES

Some characters will buy cargoes FOB whilst others will sell CIF. Free On Board (FOB) means that the buyer will be chartering the vessel and the shopper's responsibility is to supply the calories within the agreed dates at the load berth. The majority of the room for the voyage is, therefore, transferred to the buyer of the cargo. Thus, it is sometimes known as "Free of Bother". Selling CIF means that the responsibility rests with the seller until the cargo crosses the ships rail at the discharge port. Thus, the operational aspects of the voyage, the voyage orders, cargo nomination, demurrage, are dealt with by the seller. (Doumanis Dam. A., 2022)

An important point to consider in such urgent situations is the temptation to confuse Worldscale and Lumpsum rates. Voyages from Mediterranean to Far East are usually fixed at Lumpsum rate, so the obliging owner-broker will quote and offer the charterer exactly that rate. Voyages from the Mediterranean to the Far East go through the Suez Canal. Who pays the tools for passage through the Suez Canal? Under Worldscale, the charterer pays a fixed differential, but what happens under

Lumpsum? Under Lumpsum terms, the shipowner has to specify at least the number of ports of loading and unloading, alternate ports of call and make the voyage as long as possible according to the estimate. The ports with the highest number of exits from the planned ports of call are then combined. For example, in the case of Singapore and Japan, use the port cost of the most expensive port (probably Japan) and make an estimate to the northern part of Japan. Therefore, for all other ports, the charterers are playing a higher rate, measured in \$/tonne, than they would using a WS rate. It can be seen that it is preferable to use a lumpsum rate between named ports. If load and discharge ranges have to be used the description had to be rather long winded for example:

Loading 1-3 safe ports Euromed Algeiras/Lavera range, rotation West to East

Discharging 1-2 safe ports Singapore/Japan range rotation South to North.

After this process, it is hoped that all subjects will be released and the vessel is fully secured. It is important to note that the date of the charter contract is the date when all items are released and all terms are agreed upon.

In very strong markets, such as pre-1973, there have not been very strong markets since then. Owners will not bid on a business where there is an item. In such cases, their reaction is "let's see when this business takes off."

Another indication that the market is strong is when owners offer not just a voyage, but several voyages. In such cases, the lead shipowner will, as usual, make an offer for three voyages instead of one. If the deal goes through, the broker will make a big profit. If the ship goes on the second voyage, the broker will earn two commissions for the second voyage and one commission for the third voyage in addition to the commission for the first voyage. (Doumanis Dam. A., 2022)

CHAPTER 6: LIQUID BULK FREIGHT INDEXES

6.1 BALTIC INTERNATIONAL TANKER ROUTES (BITR)

BITR (Baltic International Tanker Routes) is the first index for liquid cargo tankers and is subdivided into BDTI (Baltic Dirty Tanker Index) and BCTI (Baltic Clean Tanker Index). The first index (BDTI) concerns crude oil transportation routes by tankers while the second index (BCTI) concerns the transportation routes of oil derivatives by tankers. The routes are selected on the basis of some criteria determined by the Baltic stock exchange and which have to do with the sample of these routes being as representative as possible, geographical balance, liquidity,

transparency, stable terms, commercial balance and a necessary number of routes. In addition, the Baltic stock exchange publishes on a daily basis the two indices (BDTI & BCTI) in collaboration with panellists who are usually freight brokers of large companies. The calculation of the two individual indices is found by multiplying the average price of each route by a specified factor, which is announced by the Baltic Exchange.

At its initial publication on 20 April 1998, the Baltic Exchange included 7 routes for vessels from 30,000 dwt to 260,000 dwt. After its division into the two aforementioned indices (on 1 October 2001) and several adjustments in terms of ship sizes and routes, its final composition included 15 routes for vessels from 50,000 dwt to 280,000 dwt for BDTI and 9 routes for vessels from 30,000 dwt to 75,000 dwt for BCTI.

The BDTI index refers to crude oil transportation routes by tankers. The routes that make it up according to the Baltic exchange are:

- 1) 280,000mt Middle East Gulf to US Gulf
- 2) 270,000mt Middle East Gulf to Singapore
- 3) 265,000mt Middle East Gulf to Japan
- 4) 135,000mt Black Sea to Mediterranean
- 5) 80,000mt North Sea to Continent
- 6) 80,000mt Kuwait-Singapore (Crude/DPP Heat 135F)
- 7) 70,000mt Caribbean to US Gulf
- 8) 55,000mt ARA to US Gulf
- 9) 80,000mt South East Asia to east coast Australia
- 10) 260,000mt West Africa to China
- 11) 100,000mt Baltic to UK-Continent
- 12) 30,000mt Baltic to UK-Continent
- 13) 80,000mt Cross Mediterranean
- 14) 130,000mt West Africa to Continent
- 15) 50,000mt Caribbean to US Gulf

As for the index, it concerns the routes of transportation of oil derivatives by tankers and the routes that make it up according to the Baltic exchange are the following:

- 1) 75,000mt Middle East Gulf - Japan
- 2) 37,000mt Continent to US Atlantic coast
- 3) 55,000mt Middle East to Japan
- 4) 30,000mt Algeria to Euromed

- 5) 30,000mt CPP/UNL m/distillate Baltic to UK/Continent
- 6) 65,000mt CPP/UNL m/distillate Middle East Gulf to UK/Continent
- 7) 38,000mt US Gulf to Continent
- 8) 80,000mt Mediterranean to Far East
- 9) 60,000mt Amsterdam to offshore Lome.¹

6.2 AFRA SCALE

The "Aframax" index concerns Aframax type vessels (80000 - 120000 dwt) and is published on a weekly basis. It is calculated taking into account all the agreements for the transportation of oil products worldwide for the specific type of ships. In this index, the Time Charter Equivalent is also calculated for a specific trip so that there is a constant point of comparison every week. To calculate the time charter equivalent port charges are revised annually or when the Worldscale calculation tables are revised. Also, fuel prices are revised on a weekly basis.

6.3 WORLDSCALE (WS)

The Worldscale scale is based on a set of predefined reference tables that list the estimated fare levels of a specified tanker (standard vessel) with specific technical characteristics for each of approximately 60,000 sea routes. The index was originally used during World War II by the U.S. and the United Kingdom and took its current form in 1989 under the name "New Worldscale Tanker Nominal Freight Scale". The word 'nominal' indicates the non-binding use of the index, as no party involved is obliged to use the scale, but is free to negotiate different terms and rates. That is, the Worldscale is a simple indication of the level of fares in that market for a range of routes without daily variation. The Table Book is published annually, contains over 60,000 trips, but also the terms and conditions that apply to each trip. The Table Book is available from the "Worldscale Association" which is based at the same time in London and New York. Regarding the operation of the Worldscale scale, an important term is "WS Flat" or "Flat Rate" or "Worldscale 100". This term represents the amount of fare that the standard vessel should collect daily for a certain route with given costs (port fees, fuel, operating costs, etc.) in order for the total revenue to be equal to the total cost (break even point).

To calculate the base index in USD / MT the World Scale Association uses a specified vessel with the following characteristics:

Basic vessel: 75,000 tons
Speed: 14.5 knots
Consumption: 55 MT per day + 100 MT for each round trip + 5 MT at the port
Allowed time in port: 4 days
Daily basis charter rate (T/C): \$12,000 per day
Port costs: Calculated from information provided by the local port authorities
Canal transit time: 24 hours for the Panama Canal and 30 hours for the Suez Canal
Brokerage costs: (commission): 2.5%
Source: M. Stopford(1997), Maritime Economics

The calculation is for a round trip.

So for a 75,000DWT tanker making a certain route (with a return trip), the fare is calculated (in \$/tonne of payload) that will cover the costs of the trip (fuel, port charges, canal tolls and \$12,000 per day. The fare this is called the Base Fare for that route and changes according to current fuel prices (Psarautis, 2005).The WORLDSCALE formula is:

$WS = \text{Instant Fare} / \text{Basic Fare} \times 100$ where defined:

As Spot Route Fare is the fare resulting from market competition and the function of supply and demand for capacity on a route. Basic route fare: it is all travel expenses (fuel, port charges, crew wages, reduction of insurance premiums if the ship is tied up.

Basic fares are calculated and issued in special tables at regular intervals for a particular route while the basic fare changes according to current fuel prices. The rate determination from the scale for each route is characterized as w/100 of the specific route and is called the flat rate (reference fare or basic fare), it is always calculated in dollars per ton of cargo due and is a measure of the level of fares for a particular route.

The Worldscale index is subject to constant updating of various port costs, fuel prices, oil prices and any other costs required to deliver flat rates objectively.

DEFINITION: We call a WORLDSCALE index on a route the expression $WS = \text{Spot fare on route} \times 100 / \text{Base fare on route}$

CHAPTER 7: ESTIMATION OF TANKER VOYAGE

7.1 BUNKERS

Typically, tankers load at oil producing and/ or refining ports where bunker

process are low enough to bunker for the round voyage but if the vessel needs to bunker elsewhere the costs, including deviation and port costs, must be included.

Some small and/or older vessels may burn diesel oil rather than fuel oil when manoeuvring in ports or canals or in restricted passages.

Without any better information, one may use the published bunker prices but be aware that many owners may achieve discounts from contractual suppliers, so for accuracy, checks should be made with the operations department to establish process actually paid.

7.2 PORT'S DISBURSEMENTS

With experience, most estimators have a good idea of the disbursements payable by their vessels at load and discharge port and may be advised by the Broker involved in the negotiations of such costs for estimating purposes (Dam. A. Doumanis, 2020).

If nothing can be found, checks can also be made with BIMCO or INTERTANKO to see if they have any information which is current. Time permitting, owners may check with the local agents to ensure that they have up-to-date figures available. Enquiries to agents on estimated port disbursements will require information on the vessels flag, deadweight, draught, LOA and GT. The agent will then be in a position to calculate pro-forma expenses and forward them to the owner. When checking your own files it is important not to confuse voyage costs and running costs. Such items as pilotage , towage, line handling , light dues and agency costs , whilst the disbursement account may include such things as crew expenses, repatriation, air fares , cash to aster, spare parts, repairs and servicing ,while are all running costs (Dam. A. Doumanis, 2020).

When considering “canal transit costs” there are two (2) elements. The first is the tolls and the second the disbursements. In the absence of any guidance, the owner may protect himself by assuming a cost and stipulating this as a maximum for owner's account when offering. (Dam. A. Doumanis, 2020)

7.3 INSURANCE AND CREW EXPENSES

There are three types of additional insurance premiums which could be incurred for a voyage. Firstly, should a vessel be required to break the Institute Warranty Limits (IWL) possibly to enter the St. Lawrence Seaway or the Baltic Sea in

winter time . Secondly, an additional premium is in case of war risk. Finally, extra premium is due to vessel's age, flag or class. The vessel's annual insurance premium covers all risks, except certain excluded areas: if the vessel enters an excluded area a check must be made with the underwriters to establish the levels of Additional Premium (AP) before proceeding. For example, a vessel proceeding to load in the Arabian Gulf, which is designated by the London War Risk Underwriters as a war risk area, must check with the underwriters what additional premium is for the duration of the vessel's call.

If the area has not suffered any warlike actions for some time the additional premium may well be "zero percent". Over age insurance is levied by cargo underwriters of the cargo insured is carried on a vessel above a particular age. This cost will fall on the Charterer, as the owner of the cargo, but in weak markets charterers will try to impose such costs on the owner, arguing that if the owner does not pay this premium, the charterer might fix a more modern vessel. Owners may, therefore, agree to this under certain circumstances but should always try to insert a maximum figure for the premium which will be charged and such amount entered into a voyage estimate.

Proof the additional premium has been paid, should be provided to owners, but there are cases where locally AP is charged which the insurer then reinsures elsewhere without incurring AP. So, it is worth checking insurers' attitudes internationally. When a vessel calls into a War Risk Area or even into a very cold area there may be a bonus payable to the crew for working in such places. Any such bonuses should be included in the voyage estimate.

"Total daily costs "can be tackled in two ways: 1. The estimator may enter the daily running costs of the ship multiplied by the total number of days on the voyage, or, if the owner has given you a time charter rate which has to be achieved for the voyage (for example 10.000\$ per day) then that would definitely multiplied with the number of days on the voyage to give the total daily costs at the time charter rate. The total of these costs is now calculated to give the "gross voyage expenses" 2. Alternatively "running costs" (which a broker may not be aware of) may be omitted, but if the resultant income per day does not cover the owner's costs he is unlikely to take the business, unless for a particular reason, such as positioning, or he is prepared to accept a loss.

7.4 NET REVENUE

To calculate the earnings, the Worldscale book is now referred to establish the flat rate for the voyage involved. This is entered in the space available which it is known as Worldscale 100"Worldscale Flat.

For ease of illustration, we assume that the flat rate is 10\$ and the Worldscale rate for the voyage is WS85. Therefore, alongside the cargo quantity is entered Worldscale 85 equating to 8.50\$. Multiplying 8.50\$ by the cargo quantity achieves the gross freight. Deducting commission gives the net freight.

For ease of calculation and when making rate adjustments, it is recommended that you do not put commission under voyage expenses. Calculating the voyage result is achieved by deducting the gross voyage expenses from the net freight which hopefully gives a voyage surplus. The daily surplus is added to running costs above and that achieves the time charter rate. Had we used 10,000\$ a day as owner's required rate, then 10,00\$ would need to be added to the daily surplus to calculate the time charter equivalent for the voyage.

Having run this estimate at WS 85, if the market is firming, we would hope to achieve a higher rate. The freight may now be calculated at Worldscale 90 and the time charter equivalent calculated so that a five point differential will be shown as the difference between the return at Worldscale 85 and Worldscale 90.

We have now calculated the difference that each five Worldscale points make to a time charter return remembering that running and voyage costs are constant for each figure.

7.5 LUMP SUM RATE

Lump sum freight is the lump sum payable for the use of all or part of the ship. This type of fare is calculated based on the tonnage of the offered vessel and is not directly related to the cargo to be carried. Therefore, the flat rate is paid regardless of the total quantity of cargo carried. If "lump sum freight" has been agreed, the shipowner is entitled to the full freight, even if only part of the cargo reaches the destination. But if the entire cargo is lost, the shipowner is not entitled to freight.

In more detail, the calculation of the freight by the charterer-carrier is done either on the basis of the weight, or on the basis of the dimensions of the cargo at his option (weight or measurement basis at ship's option). It is also possible to calculate the freight based on the value of the cargo, when the transported object is of high

value and small volume (ad valorem freight). In these cases, the fare is calculated based on the actual weight of the load or the measured volume of the transported goods. However, there is a case, when it has been agreed that full and complete cargo will be transported, i.e. cargo that normally covers the transport capacity of the ship, the freight is calculated based on the capacity of the ship. In this case, a flat rate is agreed, meaning that no matter how much cargo is carried, the fare will be the same, provided that the cargo can fit on the ship. So if the ship has a tonnage of 20,000 tons (net), then the full load should be proportional to the ship's tonnage ($\pm 5\%$ deviation). If the cargo finally delivered for loading is of such a quantity that it does not cover the carrying capacity of the ship, then the shipowner has a claim against the charterer for the entire agreed lump sum freight.

The type of this charter is beneficial for both parties to the charter. As far as the charterer is concerned, why does he take advantage of the entire transport capacity of his ship? Even at a reduced rate compared to what he would receive if the entire ship was chartered, based on weight or volume calculation. Therefore, he is not forced to try, if the cargo falls short of the ship's carrying capacity, to find another charterer, in order not to increase the amount of the charter in relation to the first one, in order to be competitive.

As far as the charterer or consignee is concerned, he has the opportunity to use the entire carrying capacity of the carrier's ship and to carry as much cargo as possible, without being concerned about weight or volume.

The flat-rate freight is due from the charterer, even if the quantity delivered at the time of unloading is less than the quantity actually loaded due to loss due to accidental or other events (discharge of cargo, theft, fire), unless it is proven that the shipowner or the parties were fraudulent. of this added. And this (i.e. the full debt) because the freight was agreed for the disposal of the ship of a certain tonnage and was not calculated by unit of weight or volume.

However, if the ship's capacity is ultimately less than the agreed flat rate, a corresponding amount is deducted, corresponding to the quantity of the goods that were not transported. In this case, that is, the agreed flat-rate amount of the freight applies, but an actuation is necessarily done, in order to derive the amount of the freight corresponding to the amount of cargo that the charterer hoped to load and ultimately did not load due to the fault of the carrier.

CHARTER 8: TANKER CHARTERPARTY VOYAGE AGREEMENT

8.1 BAREBOAT CHARTERER

In Bareboat Ship Chartering (Bare Ship: without crew) as its name implies, the charterer leases a bare ship without crew and covers all the obligations of the ship and manages it as if he were the owner. The rent is paid in advance and monthly. In other words, the charterer becomes the temporary manager of the ship while the shipowner, since he has less expenses, also receives a lower price as rent and deals only with the insurance issues of the ship and covering the capital expenses if any.

By chartering a bare ship, charterers effectively become ship owners without having to commit private capital. Bareboat chartering is more of one financial instrument or a management agreement.

The charterer is responsible for the manning and equipment of the ship and has the possibility to charter the ship to third parties. He is obliged to maintain and keep the ship in very good condition, because detailed inspections and checks are carried out both during the delivery of the ship to the shipowner and also at predetermined time intervals. The charterer cannot make any alterations to the ship without the consent of the shipowner.

This particular type of charter is different from the others. Bareboat chartering involves leasing the ship from the shipowner to the charterer without a crew. This means that the charterer assumes all the costs of the ship as well as the costs for maintenance, crews, security, etc. , but excluding capital costs.

Due to its diversity, this particular form of charter is also the most unusual. However, because in the field of trade and shipping developments are rapid and investment trends are constantly changing, this type of charter is becoming more and more common. Many investors also take the opportunity at the end of the charter to buy the ship, so as to avoid taxation.

The charter time is defined in the charter agreement with the agreement of both contracting parties. There is no limitation on the duration of the charter, just often when it is long, it is linked to a management agreement. As mentioned above, after the end of this period or even during the charter there is the option to purchase the ship.

In this way the bareboat charter becomes more of a financing arrangement than a charter arrangement, in which the shipowner has excess capital to invest and the charterer acquires a vessel without having that capital. So one could easily arrive at

conclusion that this type of charter constitutes a form of financial leasing which consists of three main parties: the seller, the financier and the charterer, with the latter becoming the owner after the lease expires.

In conclusion, the benefit of bareboat chartering is mutual. On the one hand, the shipowners in this charter can be people with or without shipping experience, who have the possibility to invest in a ship, without taking responsibility for the organization and management of its daily processes, while on the other hand charterers are experienced shipping businessmen or large organizations that undertake ship management without having to invest very significant capital for it.

8.2 TIME CHARTER

In time charter the ship is rented by a charterer for a continuous period of time lasting from a few days or weeks to some years. The shipowner's fee is referred to as rent which is paid in advance every fortnight or every month.

In this form of charter, the charterer rents a ship for a certain period without taking over its management, the management is still carried out by the shipowner but the charterer undertakes the commercial disposal of the ship. At the same time, the shipowner is responsible for the fixed assets expenses of the ship, insurance of the ship, maintenance, spare parts and lubricants, maintains through the captain the supervision of the cargoes and the safe navigation of the ship as well as covering all other operating expenses of the ship while the charterers bear the expenses travel costs such as port fees, agency fees, towing costs, any loading and unloading costs and fuel supply and payment. In time chartering, any increases in fuel prices are borne by the charterer.

As this charter can last for a long period of time, special clauses are provided regarding the mooring of the ship, repairs, etc. In all those periods when the ship will not be at the full disposal of the charterer, the rent, fuel will be deducted accordingly consumed and any other expenses, with the obvious exception of damages caused by employment under the particular charterer and the vessel having to be repaired. The amounts that are deducted from the rent are called Off-Hire Amounts and periods that are not counted in the rent as Off-Hire Periods. This number is important for many companies because it affects the operational days of a company's fleet and consequently the TCE (Time charter Equivalent) but also the Fleet Utilization - rate of use of the ships. All of the above are important measures of comparison between

companies.

Time charters can be classified into three categories depending on the way and purpose of employing the ship, as well as the place and time of delivery and redelivery of the ship:

- Voyage time charter: It shares features with voyage charter since the vessel is chartered to perform a specific voyage and will be discussed in more detail below. Quite often vessels are also time chartered for 2/3 or 3/5 laden voyages (Laden Legs) either similar or different from each other.
- Round trip time charter: The charterer charts a ship to perform a round trip and is obliged to re-deliver it to the same port or area where it was picked up.
- Periodic time charter: The charterer charts the vessel for a period of time in order to employ it in an agreed geographical area or worldwide.

The advantages of time chartering from the shipowner's side are that:

- Guaranteed returns as well as a regular flow of liquidity for a fairly long period of time.
- A good time charter is collateral against a loan.
- Some of the risks are transferred to the charterer.
- The degree of employment of commercial management and the corresponding costs are reduced.

Disadvantages of time chartering from the shipowner's side are that:

- No flexibility for higher/better fare once locked into a long term contract.
- Take great care in choosing the charterer as the ship/ships are tied up for a long time.

In the first case the charterer charts the ship for a round trip thus assuming the responsibilities to deliver the ship from the point of receipt.

The second case is very similar to the voyage charter. The only difference is that the shipowner receives hire per day instead of freight per load for the days the vessel is employed.

The last case is the usual time charter where for a period of time the ship is chartered and employed in a specific area. It is delivered within the same area. In this case the charterer is charged for the payment of the variable cost. On the other hand, the shipowner is responsible for the management of the ship and the payment of fixed costs and capital costs. After the delivery of the ship to the charterer may fully use the ship throughout the duration of the charter agreement. The captain, although is paid

by the shipowner, must comply with the regulations orders of the charterer within reasonable limits. The shipowner, in turn, is responsible for the management and, by extension, the navigation of the ship.

The shipowner must deliver the ship to the charterer fully equipped. Airworthiness includes three elements: airworthiness from a technical point of view, suitability for carrying the cargo and airworthiness in relation to upcoming voyages. A ship may be declared unseaworthy when any characteristic of it endangers the general safety of the ship, the cargo, the crew, or renders navigation or cargo unloading impossible from a practical or legal point of view. Charterers are obliged not only to deliver the ship seaworthy but also to keep it in good condition during the charter period. The shipowner must repair damage done to the ship and if he fails to do so, the charterer can seek damages in addition to canceling the charter.

The shipowner during the time charter assumes the operating expenses and the capital expenses. It should also be noted that the shipowner is responsible for the ship's fuel during the redelivery period.

In a time charter period it is reasonable not to be able to precisely plan the ship's redelivery date. So the ship can arrive at the scheduled port sometimes earlier and sometimes later than the charter end date. To avoid such problems the dates are listed with the word "about" to allow for the flexibility of fifteen days. The purpose of the time charter is to increase the charterer's income by employing the ship himself or by sub-chartering it to third parties.

The charterer is responsible for paying the rent during the time charter. The charter party in turn details the place, time, amount, frequency of payment as well as the currency. The variable costs are borne by the charterer which are the travel costs and the cargo handling costs. It could also be mentioned that, the charterer bears all the mandatory costs of the ports since they are a consequence of the exploitation of the ship by him. Some expenses, which are often disputed between shipowner and charterer and not clearly mentioned, in the charter are waste disposal costs, vessel custody costs and agent costs. Finally, the charterer is obliged to pay the rent at regular intervals during the charter period of the ship.

Unlike voyage charters that use a specific payment calculation, there are several provisions for unforeseen delays in time charters. Since the payment is made on a daily basis, the charterer may be late for certain reasons and these are covered by the agreement. For example, if a ship slows down due to bad weather that could not

have been foreseen, the extra time spent is not included in the final time count. Briefly, a time charter involves the chartering of a ship for a fixed period, on a daily basis, where the charterer is free to use the ship. The owner only takes care of costs related to maintenance. Clauses are introduced for the protection of charterer from having to pay for hours spent due to events that could not have been foreseen.

8.3 VOYAGE CHARTER

Voyage charter party means a contract of carriage in which a charterer pays for the use of a ship's cargo capacity for one or possibly more voyages. In this type of charter, the owner pays for all operating expenses of the vessel (including bunkers, canal and port charges, pilotage, towing, vessel agency), but the payment of the cargo (in handling charges) is subject to agreement between the parties. Freight is generally paid per unit of cargo, such as a tonne, based on an agreed quantity, or as a lump sum irrespective of the quantity loaded.

During a voyage charter, the shipper's primary duty is to assign the vessel to the charterer to carry cargo of a particular journey between two or more ports. The charterer's main obligation is to provide the shipper financial compensation, freight rate, for the allocation of the ship. The shipper maintains the commercial and marine control of the ship.

The freight rate is determined as following: a) flat-rate, b) in connection with the quantity of weight or volume or the cargo number loaded. The freight rate can be: a) «advanced», that is to say it has to be paid either during the loading or during the final sailing from the load port or some days after the final sailing from the load port, b) «freight collect», which has to be paid either during the discharge of the cargo or the port of destination.

Under this charter category a ship is chartered for a single voyage. The shipowner undertakes the charterer's cargo for its transport from an agreed port of loading to an agreed port of discharge. The person chartering the ship is called the voyage charterer, the payment is called freight and is formed according to the conditions of the freight market and the contract of the agreement. This form of chartering is mostly common in bulk/freight shipping. The contracting parties can choose any type of charter agreement they wish by shaping it also with which conversions they wish to serve their interests. The charter agreements used for this type of charter include certain characteristics of the charter such as: the days on which

the ship must be present at the port for the delivery of the cargo and the completion of the overall process (laydays), approximate date of arrival of the of the ship at the port of loading, the amount of cargo that the charterer is obliged to load on board, demurrage and dispatch and other additional terms intended to regulate the charter agreement.

During the agreement process the shipowner is responsible for informing the charterer about the characteristics and information of the ship - it is of crucial importance to the extent that it affects the charterer to enter into the charter contract. When the charter agreement is signed for the transport of goods by ship, the shipowner has the obligation to ensure the suitability of the ship to carry out the transport, which is characterized by the term seaworthiness. These obligations extend to maintenance issues for every part of the boat, the engine and the crew. He is obliged to deliver a ship equipped, stocked and manned in such a way as to arrive safely at its destination and cope with those dangers - ordinary perils - which he is going to encounter or is expected to encounter during the planned voyage (carrying voyage).

In the voyage charter, the shipowner is the one who, during the fulfillment of the charter, will cover the costs of the ship (running/operating costs/expenses), which include wages, manning costs, supplies, spare parts, insurance premiums, repair costs, as well as administrative costs (Operating costs). In addition, the shipowner is required to cover the costs of the voyage. Included in this category are the variable costs related to making a trip, such as fuel costs (bunkers), port charges, tugs, ferry fees and mooring costs. Cargo handling charges and their amount depend on the type and quantity of cargo being transported. These costs are shared between the shipowner and the charterer according to the charter. In addition, after the corresponding agreement, the charterer bears the costs of loading and unloading. The above agreement is referred to as FIO (Free In and Out).

If Gross Terms or Liner Terms are mentioned in the charter, then the costs are included in the fare. From loading to unloading of the agreed cargo, the charterer is responsible for any damage due to damage or loss of the cargo carried. It may be exempted from liability if there is sufficient evidence that the damage or loss wasn't due to negligent handling but to situations which were impossible to avoid by him or the crew. When chartering a voyage, the charterer guarantees that he will perform all duties in relation to cargo unloading within the agreed time (allowed laytime), so in

any form of delay that will make the voyage process overdue, the charterer is obliged to deposit to the shipowner an agreed amount which, as we will analyze below, is called “demurrage”. The letters are paid for each additional day of delay beyond the specified time (once in demurrage always in demurrage), and are a specific price as the shipowner is only entitled to the demurrage rate agreed in the terms of the charter party regardless of the damage that may be caused to the charterer by the duration of the delay. In the event that the loading and unloading process has been carried out faster, the charterer shall compensate the charterer by paying him the amount called dispatch.

Finally, the charterer is obliged to pay the shipowner the so-called freight, which, as we mentioned above, is calculated and configured according to the levels of the freight market. Its calculation and payment is based on the agreements and negotiations following the process of offers and counter-offers created by lies between the charterer and the shipowner. The calculation of the fare is done either by the volume paid by the cargo or the weight of it. For dry cargo, these prices are calculated based on the tons transported times the agreed price per ton. For oil cargoes the calculation is based on metric tons multiplied by a constant which is published every year by the World Scale Association.

8.4 CONSECUTIVE VOYAGES

Consecutive voyage charters are a special type of voyage charter party in which vessels are contracted for several successive voyages to each other. A charter party may state that as hip will make a certain number of consecutive voyages, or it may state that it will make as many voyages as possible during a certain period of time. In the latter case, the parties have agreed that, as in time charter, the vessel will be at the disposal of the charterer for a certain period of time. The individual voyages are made on voyage terms and conditions with freight paid per voyage, laytime calculation in ports of loading and discharge respectively, etc.

This means that the risk and cost distribution of a time charter is very different from that of a consecutive voyage charter. Basically, the problem that arises in continuous voyage contracts is the problem of voyage charters, but there are structural differences such as costs and income due to time factors. These contracts often include, for example, fuel cost clauses and other clauses relating to cost fluctuations.

The owner and the charterer should observe a certain caution when it comes to determining rates of freight and demurrage, since rates which diverse from the market rate may cause the charterer to abuse the charter-party. For example, if the freight rate is high and the demurrage rate low, the charterer may be tempted to keep the ship lying idle(?) on demurrage instead of making a new voyage.

The consecutive voyages charter is a specific case of charter. It is a type of a mixed charter and has to do with the accomplishment of consecutive voyages among appointed ports in a fixed period of time. A modified voyage charter party or a specialized consecutive voyages charter party that consists the affreightment contract is used as an affreightment. This type of charter is found not only in the purchase of tankers, but also in the purchase of dry bulkers (mainly in coal transfers).

This type of charter is a special category of voyage charter. It is characterized as a 'mixed charter' and concerns the execution of continuous voyages between the agreed ports in a certain period of time. This specific type of charter is used both in the market of tankers and in the market of dry cargo ships, specifically in the transport of coal.

The agreements are concluded with the terms of the charters stating that the ship is chartered for a certain number of voyages or the execution of as many voyages as possible during a certain period. For the first case the itineraries are specific as are the ports (shuttle service), while for the second it is the charterer's choice to choose a trip within the agreed commercial and time frames.

8.5 CONTRACT OF AFFREIGHTMENT

The Contract of Affreightment (CoA) is a mixed type of charter, which contains elements from all other types of charter and mainly from the voyage charter. CoA is recognized as one of the newest types of sea freight, which is applied to homogeneous cargoes to be transported in large quantities and over long periods of time, between specified ports and on specified voyages.

In this charter, the shipowner promises to satisfy the charterer's needs in volume of goods transported within a period of time (usually one or more years). Within this period a number of two or more loads and journeys is usually agreed upon, but without a specific ship is identified that will perform the charter. The freight is usually calculated based on the amount of cargo carried and can be paid up front or in arrears, depending on the agreement.

This form of chartering is applicable to both dry bulk and oil transportation. It is also not uncommon to find such forms of chartering in liner markets, as well as being used by some shipping companies that undertake ship management in order to perform sea freight services. Typically, the CoA contract covers long periods of time (from one to several years), at least two loads and more than one voyage. However, the case of chartering for a short period of time and for a single trip is not excluded.

As for the cargo carried on CoA terms, it is usually homogeneous, of a certain type and of large quantities. In the CoA charter, the designation of a specific ship does not matter to the charterer, as long as the ship selected for carriage meets some agreed specifications.

Center of interest is always the load that should be transported by the shipowner on a ship of his choice. If during the execution of the charter the ship is lost, the contract is not canceled and the shipowner is obliged to find another ship with similar specifications, in order to carry out the transport of the cargo.

Liner operators usually use specific forms of their own private contracts in this type of charter. When contract carriage is chosen to meet a charterer's need for multiple cargoes the resulting benefits are mutual and significant, as the time of individual negotiations is reduced, cooperation between the contracting parties is developed, flexibility of options is offered and long-term planning and scheduling are improved. of activities and costs. In particular, such a form of charter provides the charterer – usually a large international industrial organization – with the possibility to organize an efficient system, to reduce the cost of transporting and handling the cargo, to plan the management of stocks and to limit delays. In addition, through a long-term CoA charter, the charterer has the possibility of fixed transportation costs for the entire charter period, without, however, taking over the commercial management of the ship, as would be done in a time charter. On the other hand, a charter party also provides the shipowner - usually a large ship operator - with steady employment of the ships and steady income. In addition, a CoA contract often offers the shipowner more opportunities to finance new vessels, but also greater flexibility in the employment of their fleet.

When the contracting parties negotiate the contracts of carriage they adopt elements of voyage charter and time charter. During the negotiations, great care is required, since it is very easy to make mistakes due to the use of different charter agreements and terms in the calculation of costs and the distribution of obligations

between the shipowner and the charterer. The parties have the freedom and the capacity to agree on any allocation of obligations they wish. In practice, however, a certain way of dividing rights and obligations has developed in this type of charter, which is followed with minor deviations during negotiations.

It is a long-term form of charter. The shipowner promises to satisfy the charterer's needs for the transport of a specified volume of goods within an agreed, relatively long period of time. Typically, the Contract of Affreightment (CoA) is recognized as a new type of sea freight agreement covering a specialized, homogeneous cargo to be transported in large quantities and over long periods of time. Usually the CoA contract covers long periods of time (from six months to several years) and more than one voyage. However, the case of a short-term charter where a single voyage is performed is not excluded from the CoA examples.

In this particular type of charter, the shipowner is required to transport a specific large quantity of homogeneous cargo over a specific period of time. Multiple loadings are carried out, two or more in number, but without specifying the ship that is going to carry out this transport. These loading and unloading operations can be completed with a specific number of ships and their capacity, depending on the amount of cargo to be transported, as well as the number of routes must be proportional so that the transportation is completed according to the agreed time period.

The shipowner's payment in this charter category is based on the freight calculated based on the quantity of cargo carried and can be paid in advance or after the end of the agreement. Such an agreement ensures the shipowner a stable income as his fleet is in continuous employment avoiding the fluctuations of the global freight market and avoiding the vessel being grounded due to the agreed annual charter. The period of employment can vary from a few months to several years until the end of the agreement. The lease contract is designed and adapted each time according to the needs of the parties. Often, the parties use a specialized contract of carriage as the main part and then a voyage charter for the individual voyages. Another case is to complete a travel charter or time with additional measures and conditions of contractual transport.

Finally, this particular type of charter is preferred mainly for the transportation of dry bulk cargoes and less for the transportation of oil, with the exception of those concerning chemical cargoes. The contract (charter agreement) of contractual carriage

defines a mixed type of charter, which borrows elements from the other types of charters and mainly from the voyage charter. It is a newer type of charter which applies to homogeneous cargoes to be transported in large quantities and over long periods of time, between specified ports and on specified voyages.

8.6 CHARTER PARTS

The small tankers, which have the capacity to carry many small cargoes, are usually carrying cargoes that are chartered under different charter party contracts.

It is necessary for these contracts to be drawn up, in order to avoid conflict. Between the various parties are involved and are more likely to deal with shipments for small cargoes which are loaded or unloaded at the same port but at different piers.

The most common form of charter in the tanker charter market is the voyage charter for which there are a significant number of charter parties. The most used for bulk transport are: SHELLVOY5 (1989), SHELLVOY6 (2005), BPVOY4(1998), BPVOY5 (2015), EXXONMOBILVOY(2005) and EXXONMOBILVOY (2012) and ASBATANKVOY (1977), ASBA II (1984).

ASBA II and ASBATANKVOY Charters have been created by ASBA (Association of Shipbrokers and Agents U.S.A.) in 1984 and 1977 respectively. Although additional clauses are required, nonetheless these ASBATANKVOY is used.

The charter agreements SHELLVOY, BPVOY and EXXONMOBILVOY have been drawn up by the respective oil companies SHELL, BP, EXXONMOBIL and especially after the amendments are considered particularly complete and sufficient to cover the needs of the companies during the charter contract for a voyage. They approach many issues in a more detailed way compared to the past which led to friction and controversy due to deficiencies and ambiguities (Wilding, 2018).

In particular, SHELLVOY6 and BPVOY4 are considered particularly sufficient and complete because they contain clauses that are not provided for in other charter agreements and are used exclusively by independent shipowners. Also the SHELL has issued SHELLTIME for time charters.

TANKERVOY 87 has been drawn up by INTERTANKO for voyage charters, although it was suggested that it ensures the interests of shipowners-charterers, it does not contain clauses, which are provided for in other charter agreements, therefore it is

not considered complete and is not widely used. INTERTANKO has also issued INTERTANKTIME for time charters.

If a shipowner does not want a clause, he may be able to obtain a tolerance for that term in the freight rate, or otherwise he must make a provision in his voyage estimate.

CHAPTER 9: TANKER TIMECHARTER PARTS

A time charter is a time-bound agreement, unlike a voyage charter. The shipowner leases a ship to a charterer for a specified period of time and is free to sail to any port and carry any cargo, subject to legal provisions. Although the charterer controls the vessel, the maintenance of the vessel is still the responsibility of the owner.

Shipowners are responsible for ensuring that the ship meets internationally accepted maritime standards throughout the duration of the agreement. They regularly employ marine surveyors to report on the ship's airworthiness and make repairs as and when required. The owner faces legal action if the ship is found to have a significant problem.

The time charter agreement can span (last) from a few days to a few years. This is a long-term agreement that operates on a single payment rate, known as fare. Payment is due quarterly and does not fluctuate under normal circumstances. In time charter, the charterer is responsible for selecting crew, paying dues incurred during the voyages and making arrangements to ensure smooth operation at each port of call. He must also inform the owner in advance of the planned route. Payment is calculated on a daily basis, with penalties at a later date. The cost of fuel, supplies, etc. covered by the charterer, while the owner assumes all maintenance costs.

More specifically, the time charter party is used by shipowners, it is considered particularly attractive when the market is at high levels, because it ensures high profits and minimizes the risks of operating the ship but with the condition of voyages or for periods of a few months.

Their structure does not differ greatly since there is no variety. The minor exceptions observed concern the cargo carried clauses.

The most important common terms of a time charter are:

- Place of conclusion of contract
- Date

- Name and place of business
- Description of the ship

The description of the ship is more important in time chartering than in voyage chartering, and especially in the case of tanker descriptions, charterers need to have an extensive and detailed description of the ship in order to make its operation and commercial exploitation easier and more efficient. There may be a special additional clause in which the description of the ship is referred to extensively and in detail. In addition to the above, the details that would typically be included in the description for a time charter include:

- Tanks and relevant coatings
- Pumps and pipelines
- Heating coils, material and maximum temperatures
- Derrick or crane capacity for hose handling
- Main engine/generator type and power
- Capacity of bunker tanks
- Dates of drydocking and special surveys due or last carried out
- Possibly a set of plans, deadweight scale and calibration tables. In the charter p form the speed and consumption is covered in clause 24, which is called "performance clause.

9.1 SHIPBOARD PERSONNEL AND DUTIES

The most important members of the ship's staff, in order of hierarchy, are:

•Master: He is the captain and commander of the ship, at the head of the crew hierarchy, with authority over every person who boards the ship and signs the relevant crew charter contracts. He is responsible for safety and order on board. He is hired with an employment contract entered in the ship's register. The master must personally steer the ship in the dangerous areas as well as keep the shipping documents (e.g. nationality documents, logbook and logs).

Its main feature is to board the vessel to provide services regardless of crew type. The captain joins the crew, but differs from the crew due to the powers and responsibilities assigned to him. He commands the ship and is entrusted with more authority over the passengers and crew. He manages the ship's order, sanitation, discipline, and safety, and maintains the ship with respect to the ship, passengers, crew, and cargo. Together with the crew, he will be responsible for ensuring that the

ship is properly and fully manned in accordance with international regulations and flag state instructions. At the same time, crew qualifications are checked to ensure that all members hold valid and approved state diplomas corresponding to their professional status and rank, and for senior officers, all required hold a diploma and educational qualification. As the person who supervises the crew, he evaluates them according to a rating scale and identifies and points out their shortcomings in the training portion.

In addition, he organizes the tasks and work of the crew, directs them and ensures their proper execution. He is responsible for providing medical assistance to crew and passengers in need of it, has general supervision and responsibility for supplying the ship with fuel(food, materials),and keeps log books and other important documents. He completes and secures all relevant books and ship documents and any related plans required. When working on merchant ships, he supervise and control the ship's loading and unloading plans, modifying them as necessary, supervising the corresponding procedures and ensuring the safety of the goods. Finally, he has the appropriate communication and coordination with port and other authorities, agents, charterers and shippers.

The position of captain comes with a set of characteristics and qualities that define the contract with the shipowner on different terms than the crew. It becomes stronger, richer, and transforms the way the rest of the crew connects with shipowners.

A master's responsibilities and powers are conferred not only by contract but also by law as he becomes a civil servant.

- Mate (or deck officer): He is the direct partner of the master for all matters related to the ship, passengers and cargo. He is in charge of deck staff, catering, accommodation and galley services. In other words, a mate is a deck naval officer aboard a merchant vessel, such as the chief mate (first mate), second mate, or third mate. Between 1800 and 1890 "mate" was also the naval rank now known as sub-lieutenant—master. One of the mates is always the watch keeping officer, unless the master takes that responsibility.
- Vice-master: He is the direct assistant of the vice-master for any matter related to the ship's service, navigation and cargo.
- Pilot Master: Exercises under the supervision of the Mate and the Mate in all matters relating to the ship's service and navigation.

- 1st Engineer: He is the officer in charge of the engine service and its personnel, he is under the command and control of the master, he is responsible for the maintenance and good operation of the engines, auxiliary machines, boilers and other facilities engine room and boiler room, every engine and electrical installation of the ship except radio telegraph machinery.
- Crew: The crew is defined as all the persons working on the ship. The crew members are hired with a charter contract. The concept of crew includes all persons who offer their services on ships, regardless of the nature of their work (e.g. sailors, doctors, musicians, etc.). Regarding the chartering of tankers, charterers expect their crew to become efficient and professionals for the duration of the charter, so it is useful to explain what they are expected to do. This clause gives charterers the power to replace in effective crew.

9.2 OBLIGATION OF SHIP MAINTENANCE

Shipowners are obliged to maintain the ship with due diligence and bring it to the required condition. Charterers have the right to "off hire" the vessel if this is not done within the 30 day notice period. The problem for shipowners is that once the ship is "off hire" under this clause, the charterers have the option to cancel the charter unless the shipowner can demonstrate that the charterers have exercised due care to their reasonable satisfaction. Therefore, if minor repairs cannot be carried out at a particular port, but are planned for subsequent ports, it can be said that the owner is doing due to diligence.

Some charterers retrying to add a requirement to maintain licenses to specific lists of oil companies, with the option to "off-hire" or terminate leases in the event of non-compliance.

Such specific guarantees are unrealistic and should always be avoided because it is difficult to ensure strict compliance.

9.3 LIMITS OF THE CHARTER PERIOD

Charterers may request any term, such as '12 month charterer option plus 12 months'. When first discussing such a period, it is very easy to use the short hand 'one or two years' to mean that it is 'at the charterer's option', but one year at the charterer's option. If written down as 2 years from, it could be interpreted as follows: "1 year option, plus 2 years".

A good broker will make sure that all parties are aware of the maximum period being discussed. Owners will note that a charterer's option is declared if it is in the charterer's interest to do so. Therefore, if the market is higher than the option rate at the end of the first option period, the charterer will declare the option. But if the market is lower, the option may not be declared. Some owners, therefore, set higher rate for the option period requested by charterers. If the business has a straight or solid period, these owners will have an overrate of the market than the option. If there is a large difference between the current market price and the time charter rate, it is likely that disputes will arise as to the length of the term or the actual performance of the vessel. Please note that actual redelivery dates may differ significantly from expectations, regardless of the margin agreed upon, due to the final voyage rules explained below.

Prudent shipowners maintain regular dialogue with time charterers, to avoid sudden redeliveries and unexpected delays in returning to shipowners.

This clause, as written, allows charterers to use their vessels in any part of the world, subject to the British Association's guarantees, tending to say 'always within the Association's guarantees' there is. This clause authorizes charterers to order vessels "in ice-bound waters or anywhere in the world outside such limits...provided that the owner agrees to it." And "such consent cannot be unreasonably withheld".

For example, problems can arise when trading ports in the Baltic Sea (or St Her Lawrence River) in winter. These areas are outside his IWL for a particular date and the under writer is usually willing to quote a premium for transactions to such ports, perhaps with a specific subject. The problem, however, is that the surface ice does not have to be so thick at the waterline as to damage the ship's paintwork.

That is, the ice scrapes the paint off the hull. This has to be improved, so who will carry out the work and thereby pay for the time lost? There are other politically problematic regions of the world. For example, a vessel calling at an Israeli port cannot subsequently trade with Arabian Golf. This is a big problem for tankers and should rule out dealing with Israel.

The final part of the clause allows you to enter the delivery port and redelivery port. In practice, these could be protranges.

9.4 LAYDAYS/CANCELLANING

Period during which the shipowner must submit to the charterer a Letter of

Readiness (NOR) for loading, with the charterer having the right to cancel the charter in case of delay at the responsibility of the shipowner. At the same time, the shipowner or master is obliged to ensure that the ship arrives at the agreed time at the port of loading or unloading. Otherwise, they have to pay compensation to the charterers due to violation of terms of the charter agreement.

More specifically, this clause does not stipulate any time for canceling. Thus, the vessel will have the whole day in which to present and although no mention is made of tendering Notice of Readiness (NOR). It is common for the vessel and the managers to have been keeping the charterers advised of the estimated time of arrival and readiness, before the master actually tenders the notice of readiness. Time charters call for an "on-hire inspection "and this will often be carried out after the vessel has delivered thought should be given as to what will happen in the unlikely event that the vessel fails such inspection. Also, in the end will also be an "off-hire inspection ". These surveys are to establish:

- Bunkers on board on delivery and re-delivery
- Condition of the ship check the description, machinery is in working order, unrepaired damage.
- Condition of tanks/coatings, if they are fit for the intended cargoes.

9.5 OWNER'S TO PROVIDE/CHARTERERS TO PROVIDE

Owner's to provide (clause 6, lines 87-96): This clause specifies that all proportions, wages, etc. must be provided and paid by the owner in so far as these costs relate to master, officers and crew. In addition, specify vessel insurance, equipment, water, dry docking, and similar matters.

Charterers to provide (clause 7, lines 97-103): This clause details what charterers are to provide and what have to pay. This clause states that while the vessel is off-hire, the specified items will be on the owner's account.

9.6 RATE AND PAYMENT OF HIRE

Freight is the fee paid by the charterers to the owners for the performance of the contract. The fare clause sets out the fare, how it is calculated, when it must be paid and the payment arrangements. Bank account details may be contained in a separate document attached to the charter.

It is payable in US dollars but can be paid in local currency for transactions involving short distance travel. It is usually paid in accordance with the terms of a cargo clause which sets out the amount of the freight, the time of payment and the method of payment. It may depend on the weight of the cargo, or (less often) on the volume of the cargo or on some other specified basis. The amount of cargo should not exceed that required by the International Load Line Convention. The fare price is determined by the Worldscale, which is updated every year. In any case, its price is determined by the Worldscale on the day of signing the charter or loading.

More specifically, it defines what the charterer will pay the freight. Usually a bank account is given to a bank chosen by the shipowner. The freight (fare) is paid every fifteen days in advance. In the event that the charterers do not pay the freight as agreed or in any fundamental breach of the charter, the shipowners have the right to withdraw the ship and claim damages.

During the grace period, the shipowners can withdraw the ship, claim compensation and at the same time not be responsible for the problems that will arise from this action, if and as long as the grace period has passed and the charterers' debts still exist. The days of the period are agreed upon in writing by both parties and start counting immediately after the shipowner notifies the charterers that the charter has not been paid.

Also, regarding the payment of last hire, while the ship is on its way to the port of redelivery, the charterers together with the shipowners should calculate the time remaining until the completion of the voyage and the end of the charter and after taking into account regarding oil (bunkers) and docking expenses (disbursements) concerning the shipowners (e.g. purchase of spare parts, change of crew, money to the Captain, etc.) and to proceed with the payment of the last lease to the shipowners.

Any differences arising later will be paid either by the shipowners or the charterers.

9.7 BUNKERS

This clause states that the charterer shall accept and pay for the bunker on board at the time of delivery and similarly the owner shall accept and pay for the bunker on board at the time of redelivery at the current market price in the relevant port. Such agreements can cause problems when bunker prices at the ports in question are very high. This is probably due to low availability or lack of market prices.

Delivery and redelivery quantities must be confirmed so that the ship has enough to reach the next refueling port.

For short-term charterparties, the prices agreed for delivery and redelivery may be affected by the strength of the bunker market, but for long-term charterparties, price differentials are not significant. For time charters with very short durations, this clause has been amended so that charterers do not have to pay for bunkers on delivery and instead are guaranteed redelivery on board of approximately the same amount, thus slightly only minor cost adjustments are required.

Charterers are responsible for supplying the correct bunkers. This also includes quantity. Bunker quality has come under scrutiny in recent years as specifications are not comprehensive. Poor quality bunkers can damage the main engine or even react with bunkers in tanks to form a jelly-like substance that cannot be pumped. Using viscosity alone as a description of fuel oil and diesel is no longer considered sufficient, so it is up to owners to provide complete specifications for the bunkers supplied.

Normally, charterers only state the maximum viscosity limit of the bunkers supplied, but bunker grades are contained in Clause 29 and Form B (attached to and forming part of the charterer). If poor quality is supplied, you are at risk. Bunkers are sampled and inspected on board and sent to specialized inspection companies to monitor the bunker supply at delivery and redelivery and during time charters.

9.8 SUB-LETTING

Tanker time charters (TANKERVOY 87 in Clause 33, ExxonMobilVOY2005 in Clause 32 and SHELLVOY 6 in Clause 30) state that the charterers have the right to assign the charter to any person or company, but the charterers will always remain responsible for the due performance of all terms and conditions of the charter.

In other words, the charterer has the right to sub-let the vessel but remains responsible to the owner for the performance under the charter. An ideal sub-let should be on back-to-back terms, but in any event it is up to ensure that the head charterer is kept informed of any liabilities that may arise from malperformance of sub-charters do not increase owners risk with regard to pumping clauses, by ensuring such issues are covered in the time charter party. Owners should also make clear their position regarding LOI's acceptance from sub charterers (Doumanis, Damianos, 202).

9.9 FINAL VOYAGE

It is the charterer's obligation to deliver the ship back to the shipowner at the agreed place and within the agreed time period. The charterer must inform the shipowner 10 days before the estimated redelivery date for the port and the exact estimated time of redelivery of the vessel. "The Charterers shall give the Owners not less than ten days notice at which port and on about which day the Vessel will be re-delivered" (Baltim 1939, edition 2001, clause 7).

In the event that the charterer re-delivers the ship to a different place than agreed upon, the shipowner has the right to keep his ship busy on the charter until the ship arrives at the agreed place redelivery. An event which obliges the charterer to compensate the shipowner by providing him with the amount of hire that would have been earned if the chartered voyage had been completed.

In addition, the charterer is obliged to redeliver the ship within the agreed time period. In the event that the charterer re-delivers the ship earlier than the scheduled date, the shipowner has no right to refuse receipt. On the contrary, he must look for alternative employment and only in the event that he fails or finds employment with lower income than the previous one, he has the right to demand compensation from the charterer.

At this point, reference should be made to the final (last) voyage of the ship before its redelivery. If the charterer is to send the vessel on a final voyage which is not expected to be completed within the time limits of the charter, he is obliged to notify the shipowner and if the latter refuses, the charterer must comply. Otherwise, his conduct will be considered a breach of contract, in which case the shipowner has the option of proceeding with a new charter and seeking compensation. But if the shipowner agrees to make such a voyage, although it is not to be completed within the time limits of the charter, then the charterer must pay freight accordingly at the current market for the additional time until the completion of the charter, when the market rate is higher than that provided for in the charter contract. In the opposite situation of the charter market, the shipowner is entitled to the rent of the charter also for the additional period. «Should the Vessel be ordered on a voyage by which the Charter period will be exceeded the Charterers shall have the use of the Vessel to enable them to complete the voyage, provided it could be reasonably calculated that the voyage would allow redelivery about the time fixed for the termination of the Charter, but for any time exceeding the termination date the Charterers shall pay the

market rate if higher than the rate stipulated herein» (Baltimre 1939, edition 2001, clause 7).

During the redelivery of the ship, it is stipulated by the charter contracts that the ship is in the same good condition as it was at the time of its receipt, excluding its physical wear.

9.10 OFF-HIRE

Off hire is defined as the reasons (under the responsibility of the crew or due to negligence of the shipowner, due to docking) for which the ship is put off hire. The off-hire clause operates as an exception to the charterer's basic obligation to pay the freight continuously during the time charter.

In the time charter the shipowner provides the ship and the crew working on it. As long as these are fully operational and able to provide the services requested from them to the charterer, the freight will be paid continuously. But if, for any reason, the ship is not in full operation so as to be able to provide the services requested of it, and the charterers suffer a delay, then the freight will not be paid for as long as this delay lasts. Therefore, the onus is on the charterers to prove that the off-hire clause is in operation in the particular circumstance.

The off-hire clause operates independently of any other breach of contract by the shipowner. If the charterer successfully invokes the clause, then the rights it confers are clarified by what the clause itself says and any right to compensation depends on the specific principles of law relating to the breach of contract.

In the event that an event occurs, such as a breakdown in a machine, it does not automatically stop the fare. It must be proven that this damage was the reason for the loss of time for the charterers. Therefore, a breakdown of a machine will not put the ship off-hire if it occurs and is repaired during the loading or unloading period of the cargo.

It should be noted that when a ship undertakes a voyage while unseaworthy, it does not automatically make it off-hire until seaworthiness is restored. The charterer must prove that one of the events mentioned in the off-hire clause led to a loss of time. The start of the period in which the fare is paid again begins as soon as the ship becomes fully operational again. (Coghlin T., Kimball J.D., Wilford M., Time Charters, 4th edition, Lloyd's of London Press, 1995, pp. 363-365).

Off-hire time is counted as part of the charter period, so it should be said that

it does not add to the maximum period.

9.11 PERFORMANCE CLAUSE

The speed and fuel consumption are among the basic technical characteristics of the ship. These are objectively important properties that enable the charterer to determine in advance the way in which the ship will be exploited, calculating the number of ships that can be chartered during the charter and the costs that will need to be covered for the supply of the ship.

Gradually, the contracting parties (and especially the charterers) began to give more importance to the characteristics of speed and diesel consumption in the effort to exploit the ship to the fullest. In this way, gradually the raising of claims on the part of the charterers became more and more important in cases where the actual performance did not resemble what the charterer had promised, as reflected in the performance clause.

Now the performance clause, its content and the consequences of its violation are of particular importance not only legally but also commercially. From a legal point of view, some of the issues related to the operation of the clause have been dealt with jurisprudentially, with the result that it can be said that a - although not crystallized, at least - opinion has been formed. Nevertheless, there remain several "grey zones" and uncharted issues regarding the performance clause, its operation and the consequences of its violation which still concern lawyers, judges and the contracting parties themselves.

At the same time, the issues concerning a Clause performance are of particular commercial importance for both parties involved in the charter contract. As far as the charterer's sphere of interest is concerned, the latter bases the ship's exploitation plan and takes into account in his budget the elements described in the clause, the violation of which may indeed result in his financial loss. As for the charterer now, being found in breach of the clause may endanger his Reputation in two ways. In addition, in the cases where the violation of a performance clause and the eventual raising of the corresponding claims become known in the relevant business circle, the reputation of the charterer is negatively affected, jeopardizing its subsequent bargaining power.

In short, periods of recession and falls in the freight market were the main reason for the contracting parties to turn their attention, among other things, to the clause and the observance of its terms. The importance that is now attributed to the

characteristics of speed and oil consumption and is demonstrated, not only by the practice of slow steaming that is followed to this day but also by the frequency of claims related to the violation of the performance clause at arbitration level. In fact, it is expected that in the coming years the observance of performance clauses will be reduced to a priority of utmost importance as, according to the experts, an increase in the price of fuel is imminent due to the new regulations of the International Maritime Organization (IMO).

References to speed and diesel fuel consumption characteristics in a charter contract are usually found either in the preamble or in some independent clause of a charter party. Through these reports, the charterer essentially guarantees that the ship has the ability to perform the voyages at a certain speed and fuel consumption, usually given certain weather conditions.

More specifically, charterers want to get the most out of their vessels while keeping costs as low as possible. The first calculations charterers make when valuating a vessel depend on its speed and consumption at sea. The former affects voyage times (or put another way, which charterers expect to improve in time). The latter affects the cost of each voyage. If the vessel does not achieve the declared performance, the charterer will pay more in terms of the bunker and the time to perform the voyage and will require some form of compensation.

Modern tanker timecharter forms contain detailed and strict performance clauses. These terms may include pumping rates and other aspects of port performance, but the most important features are speed and consumption guarantees.

Note that tanker charter agreements typically require the owner to guarantee the speed and consumption of her vessel up to Beaufort Force 8. This is an important point for owner brokers to note and should be discussed with the technical department before such figures are posted in the description of the time charter.

Tanker owners may find that their vessels are performing better than their guaranteed, speed and/or consumption, and charterers may benefit from saved time and/or saved bunkers. We will pay the owner for excess performance on a basis.

Finally, please note that "SHELLTIME 4" only considers the speed and consumption of the "service" guaranteed. Any other consumption, including slow/fast consumption, is considered advisory unless otherwise stated.

CHAPTER 10: TANKER SPECIAL CLAUSES

Most voyage charters of tankers contain express and implied terms. The express terms are divided into representations, conditions and warranties and are set forth in the charterparty. Implied terms are not included in the charter party, but are widely and universally accepted by all parties. Such are seaworthiness and due diligence to execute the charter without deviations. All charter agreements are divided into three parts: the preamble, Part 1 and Part 2. The 1st Part lists the basic details of the ship, the cargo, the port of loading and unloading and the details of the contracting parties. In the 2nd Part the clauses are written. A standard tanker voyage charterparty has a similar structure, but the basic terms and terminology are common (with the exception of some differences).

10.1 LETTER OF IDEMNITY

A bill of lading is a receipt for goods either received (prior to shipment) or shipped on board. It provides evidence of the existence and terms of a contract between the shipper and the carrier. However, a contract of carriage may exist without the issuance of a bill of lading. This is a document of title stating that the owner has the legal right to own the item described. (The right of possession should not be confused with the right of ownership, which is usually determined by the terms of the contract of sale.). A bill of lading may, depending on how it is drawn up, be negotiable, i.e. transferable to third parties in order to effect the transfer of ownership of the goods it describes.

The main functions of the bill of lading are:

- a) proof that the carrier has received the cargo
- b) title of the cargo
- c) original proof of the contract of carriage of goods
- d) credit note.

A bill of lading states the quantity, order and condition of the goods when received by the carrier and is usually worded as follows: "Received in good condition" (unless otherwise stated) or "Shipped in good condition and condition" unless otherwise stated. If this statement is not true, appropriate comments should be made on the bill of lading. Therefore, any shortage or damage to the goods occurring prior to acceptance by the carrier should be noted on the bill of lading.

If there is no clause in the bill of lading showing a defective condition or defective quantity of the goods on receipt by the carrier, the consignee may

reasonably expect to receive his goods in good condition. Any loss or damage discovered upon delivery shall be deemed to have been caused by the negligence of the carrier unless he can prove that it is attributable to one of the excluded perils listed in the contract of carriage.

More specifically, it is:

a) Delivery of goods

The carrier, agent or master is legally bound to deliver the goods to the first person to present a signed original bill of lading at the port of discharge, together with proof of identity and proof that freight and any other dues have been paid fees. If the presented bill of lading appears to be complete, the master or agent should sign and date it. The goods can then be delivered to the consignee. A delivery order may be issued by the agent to the consignee.

In order to better understand the main functions of a bill of lading, the basic documentation procedures used in freeloader and regular ship transport are useful.

b) Signature of Bill of lading

When a master has to sign and issue original bills of lading, great care must be taken to cover all possible pitfalls of the contract. In such cases, it would be advisable to consult the P&I club correspondent in advance.

Bills of lading "consignments" are signed on behalf of the carrier or on behalf of the master of the carrier vessel. A complete set of original bills will be signed and then returned (via the agent) to the consignor. Freight may be payable before invoices are signed, depending on the carrier's terms.

The information on each bill of lading includes the exact identification of the cargo, the name of the ship, the date the bill of lading was signed, who is the shipper and who is the consignee, the loading/unloading ports, the amount and method of payment of the freight, how many original bills of lading issued (usually three), the name and signature of the master or agent, and finally what terms are included in the carriage agreement.

Most tanker charters state that the bill of lading is signed by the master, in the presence of the charterers or their representatives. Each bill of lading expresses a reservation of right or privilege for the charter party and the charterer must indemnify the shipowner for any contradiction arising between the bill of lading and the charter party.

The master or his authorized representative should always check when signing

a bill of lading that:

1. the goods have actually been shipped.
2. the date of shipment is correct, i.e. as stated on the receipt or standard shipping slip.
3. the bill of lading is not marked "freight carried" or "freight prepaid" if it is not true.
4. any clause for proof of receipt of the corresponding cargo is also contained in the bill of lading.
5. reference is made to the contracting party, where it exists.
6. any charter term not inconsistent with the terms of the bill of lading.

Some types/categories of Bill of Lading are:

- Clean bill of lading (unclausal bill of lading)
- Foul bill of lading (dirty bill of lading / clausal bill of lading)
- Received for shipment bill of lading (custody bill of lading)
- Shipped bill of lading
- Direct bill of lading
- Transshipment bill of lading
- Through bill of lading
- Combined transport bill of lading
- Stale bill of lading
- Open bill of lading
- Named bill of lading
- Order bill of lading
- Negotiable bill of lading
- Non negotiable bill of lading
- Liner bill of lading
- Charter party bill of lading

Finally, all bills of lading must include the clauses Paramount, New Jason, Both to blame, Ice, War, Oil Pollution.

10.2 AMOCO CARCO RETENTION CLAUSE

In case that any cargo remains on board upon completion of discharge, the charterer will have the right to deduct from freight an amount equal to FOB port of loading value of such cargo plus freight due with respect thereto provided that the volume of cargo remaining on board is pumpable as determined by an independently surveyor. Any action or lack of action in accordance with this provision shall be

without prejudice to any rights or obligations of the parties.

When considering such a clause, we should remember that there are two basic trades within tanker chartering that is "dirty" and "clean". In the clean trades we can readily understand that the residues of cargoes are liquid. Crude oil, however, contains a lot of sediment and foreign matter in suspension during loading that is not liquid. During the voyage the water and sediment settles to the bottom of the tanks. During discharge a certain amount will cling to the sides of the tank so that upon completion of discharge there will be residues within the cargo tanks. This does not cause a problem if the next cargo to be loaded is also crude oil or even fuel oil, therefore tankers which are in the crude oil trades regularly will have a certain amount of residues within the tanks at all times, which is impracticable to remove. By looking at the internal structure of a crude oil tanker you will realize that there is a large number of areas within the tank and that at certain lists and trims cargo will not run readily toward the suction of the pumps.

In theory it would be possible, given time, to ensure that these residues ran to the strum and were discharged. However, in practice, the terminal will warn the tanker to be off the berth quickly once the main pumping has been accomplished so they can berth the next vessel, meaning that there are times when there is liquid on board a tanker which is not pumpable because, in practice, it can not be reached.

To avoid misunderstanding, the owner's broker should insert after "pumpable" the words "and reachable by vessel's fixed pumps."

"In addition upon completion of discharge, the owner must ensure that the independent surveyor issues a dry certificate. In cases where freight is payable 'BBB' the cargo retention clause should be amended to read 'claim against freight' rather than 'deduct from freight'

10.3 IN-TRANSIT LOSS CLAUSE

An example of a very severe clause is given below. It should be noted that any such clause is over and above any claims a Bill of Lading holder may have if it is felt that less cargo is delivered than is stated on the Bill of Lading.

The risk is therefore that the owner could pay twice for one low output quantity.

A) In-transit loss not to exceed 0.5 percent of the Bill of Lading quantity. In-transit loss shall be calculated as the difference between:

1) The quantity stated in the Bill of Landing issued in accordance with the reading of an accurately calibrated meter and

2) The NETT calculated volume received in tanks ashore at discharge port in accordance with the reading of an accurately calibrated meter or, in the absence of a meter, as determined by an independent surveyor.

This clause shall take effect subject to the exceptions from liability contained on the Hague Rules.

(B) In the event such shortage exceeds 0,5 percent of the Bill of Landing quantity per survey, charterers shall have the right to deduct from freight the value of the quantity in excess of 0,5 percent.

The clause is to be detected as the price of Brent as quoted in the Platt Crude Oil market on the date of completion of discharge (or in the case of no publication on that date, the immediately preceding process quotation to apply) less US \$ 0,60 sixty cents) per BBL.

The clause is surprisingly included for the following reasons:

1. It mentions "accurately calibrated meters".
2. The quantity loaded is measured "gross that is to say includes water and sediment.
3. The discharge quantity is "nett" that is to say water and sediment is deducted from the figure.
4. The quantity may be measured in a shore tank, always assuming the surveyor can identify the tanks which are receiving the cargo, not so easy in a large complex like Europoort, it is difficult to allow for the quantity in the pipeline and to obtain a set of accurate calibration tab

10.4 PUMPING CLAUSE

All charters require the vessel to be able to maintain 100psi pressure in the cargo hoses or to be able to discharge its full cargo within a 24 hour period. The differences observed in the most common standardized tanker charters are as follows:

In SHELLVOY 6 (Part I (A)(I)(vii)) the discharge guarantee is valid provided that the kinematic viscosity of the cargo does not exceed 600cst at the discharge temperature required by the charterers, and if only part of the cargo has a viscosity greater from 600cst, then the pumping guarantee will apply to all other parts of the cargo. Also, the pumping guarantee in the SHELLVOY6 charter is "subject at all times to the commitment of ultimate handling". This means that compliance with the

vicarious warranties will not necessarily mean that the shipowner has fulfilled his obligations in terms of lifting the cargo. If the ship warrants that it can discharge its full cargo in 24 hours or can maintain a pressure of 100psi, but fails to do so, then the charterer will be able to argue that the shipowner has breached his duty of "extreme handling" and he will be able to disregard any extra time taken by the ship to discharge as a result of not working the discharge pumps to their full capacity when they could. Essentially, the specific term of SHELLVOY 6 has been modified so that the expression "almost dispatch" is applicable where the ship has the ability to perform its work to a better degree than the guarantee of "100psi/24 hours".

Also, an important modification is that the Pumping Capacity Guarantee on SHELLVOY 6 takes into account all permitted "receiving facilities", which makes it easier for the shipowner because it avoids confusion in the case of STS (Ship To Ship) unloading: from ship to ship) or of loading and unloading in SBM (Single Buoy Mooring: a buoy used as a mooring and interconnection point for tankers for loading/unloading) or similar cases 107. In the charter agreements of ExxonMobil and INTERTANKO, reference is made only to "shore facilities" (shore facilities), while in the charter agreement of BP, reference is made to "terminal station".

Finally, SHELLVOY 6, Part II (20) states that if the ship is required to wash cargo tanks, then the 24-hour pumping guarantee will be increased by 0.6 hours per tank washed, and will always be subject to a maximum increase 8 hours. In the charter agreements TANKERVOY 87 and ExxonMobilVOY2005, the maximum permitted pumping hours added in case tank washing is requested, are not predetermined but are completed in Part I of the charter agreement, in the paragraph referring to the C.O.W. system. In the charter agreement BPVOY4 it is specified that if additional tank washing is requested, the specified total pumping time of 24 hours will be increased by 25%, i.e. 6 hours. Also, in the same charter, it is stated that the ship should maintain a pressure of 7 bars (which is equivalent to 100psi) in the cargo hoses and that it will load and unload the cargo at a maximum safe loading rate of.

In the charter agreements BPVOY4 and ExxonMobilVOY2005, the Captain should present a "Letter of Protest" (Letter of Protest) in the event that cargo unloading is delayed or not carried out due to terminal restrictions, in which all imposed restrictions will be mentioned in detail. The BPVOY4 contract requires the letter of protest to be signed by a representative of the terminal with the Captain making "every reasonable effort" to obtain the signature and, failing that, a new letter

to be drawn up by the Captain indicating the signature failed. The Master should, in addition, ensure that all resulting restrictions are recorded in the ship's Pumping Log.

In the ExxonMobilVOY2005 charter, the "onshore facilities" should acknowledge that they have received the Objection Letter, nowhere does it state that they should also sign it.

The same charter also states that if the Master fails to issue a Letter of Protest, the shipowner shall be deemed to have waived any right to contest the charterers' claim that time was lost by failure to ship to comply with the Pumping Capacity Guarantee.

The exact same procedure regarding the Letter of Protest applies to the SHELL Charter, except that here the procedure is referred to in the second part of the Charter, in paragraph 46, "Documentation". In the SHELLVOY 6 charter, the issuance of the Letter of Protest is required in any case where the actions of third parties (suppliers, consignees, terminals, etc.) affect the ship's ability to fulfill the guarantees signed in the charter regarding its performance. Thus, in this charter agreement, the issuance of a Letter of Complaint is not limited to the case of non-fulfillment of the pumping guarantee but covers the entire range of guarantees in the agreement.

In other words, the vessel must keep a pumping log and assuming the master keeps a record of instructions received from the shore with respect to requests for reduced pumping rates, when necessary noting protest, the owner should be well covered against spurious claims. Whatever clause is agreed the crucial phrase is "provided shore facilities permit". There are times where the terminal as for reduced pressure or will only take one hose when the ship could utilize three, such actions reduce the ability of the vessel to discharge within 24 hours. Discharge time can also be affected by the diameter of the hoses connected (Doumanis, 2022).

10.5 SPEED-UP CLAUSE

The oil crises of 1973 and 1979 caused fuel prices to rise. At the same time the global economy deteriorated, causing low fares. This resulted in tankers moving at low speeds, "economy speeds", because fuel consumption (and cost) increased exponentially with speed. The resulting saving in fuel costs was a greater advantage than the loss of time. So charters began to include speed clauses, allowing the charterer to require the ship to increase or decrease its speed in order to save fuel.

Specifically, unless otherwise directed by charterers, vessels shall proceed from port of loading to port of discharge at average economical speed or low speed.

At any time during the loading voyage, the charterer shall have the right to order the vessel to speed up to full speed, weather and safe operation permitting, or to any intermediate speed between low speed and full speed. Charterers may at any time order their vessels to arrive at the port of discharge on a specific day. Doing so, is between low speed and full speed above.

The Applicable Freight Charges set forth in the Clause shall apply during all periods when the vessel is traveling at low speed. This fare shall be increased by the agreed amount of her WS points for each knot of acceleration over low speed in proportion to the fraction of knots, up to the applicable full speed factor of Worldscale. If a speed change is ordered during a loading voyage, the fare for that voyage shall be calculated according to the following example.

By way of example, the vessel proceeds at low speed of 10kt, the rate of which is Worldscale 40. After 10 days, the vessel is ordered to complete the voyage at an interim speed of 12kt- the remainder of the voyage taking 20 days. Increased speed option provides for a premium of 1.5 WS points per knot of increased speed over low speed (Institute of Chartered Shipbrokers, 2021 Edition).

Freight rate for above voyage is:

Voyage freight rate = (WS40 * 10 days) + (WS43 * 20 DAYS) / 30 (total voyage days) = WS42

When WS43 = 3 points premium for 2kt.

(Institute of Chartered Shipbrokers, 2021 Edition).

10.6 WAR RISK CLAUSE

Clauses of this form are usually, or at least should be, found in all charter and insurance agreements. Insurance in the case of war risks includes all those losses and damages from any act of war that may occur. It also includes every event that will happen after the end of the war, but only due to war risks, otherwise it is considered that the risk arose from a maritime event.

The war risk clause should also include a definition of the term "war risk". This happens for example in the relevant part of the "Voywar 2004" clause of BIMCO. According to this definition, the concept of "war risk" includes not only actual war and various hostilities, but also the threat of war or such hostilities.

Cargo warfare clauses cover damage or loss caused by:

- War, civil war, revolution, rebellion or civil insurrection arising from hostile action by or against a belligerent power
- Seizure, arrest, restriction or retention arising from risks covered in the above clause and their consequences or attempted
- Abandoned mines, torpedoes, bombs or other abandoned weapons of war
- General breakdown and insurance expenses incurred in relation to the above risks or to avoid them.

The Institute War Clause-Cargo does not cover risks arising from terrorists or from persons acting maliciously or politically. As for cargo damage resulting from intentional and malicious action such as vandalism or sabotage then the cargo is covered by the B and C cargo clauses (Cargo Clause).

When the charterer is able to foresee a war danger then he is obliged to do everything in his power to avoid it. Martial actions and deeds have an exculpatory power for the wielder when they are unpredictable. Of course, in areas where war has been declared, acts of war are not considered unforeseeable and therefore there is fault on the part of the sea carrier if he unreasonably followed a course in such areas and exposed the cargo to the dangers of war when he could have followed a safer course. In such a clause, the definition of the rights and obligations of the contracting parties is of great importance when the ship, the cargo it carries and the crew are called upon to face war risks. A war risk clause should state whether the shipowner has the right or obligation to obey orders from the ship's insurers or various authorized authorities who may instruct the ship to avoid certain areas due to the existence of war risks. In case of danger of war, the charterer's obligation at common law is to appoint a safe port of destination.

In other words, it is a Clause for the protection of the shipowner, ship and crew in case of war. In the event that a loading/unloading port is inaccessible or it is considered dangerous to approach a ship due to war operations or disturbances/insurrections, then upon the charterer's order the ship will be taken to a substitute port (in which there will be no corresponding risks), where and the goods will be loaded and unloaded. If the relevant instruction of the charterer is not given within a period of 48 hours, the risk lies at the port of loading but the goods have not been loaded, then the charter party is cancelled. If the same conditions apply but part of the cargo is loaded, the ship moves away and the charterer pays "dead freight". If

the risk is at the port of discharge, the goods are discharged at any port chosen by the shipowner or master and the discharge is deemed to be fulfilled in accordance with the terms of the charter party. In the event that the goods are loaded or unloaded at a substitute port, the additional travel time, port charges and additional fuel consumption will be included in the payment of the agreed fare. At the same time, these extraordinary conditions of war oblige the ship to comply with the instructions to be given by the government of the flag nation regarding arrival or departure, accessible ports, stopover, delivery, etc.

10.7 CLEANING

In most charters the shipowner warrants that the ship's tanks, pipes and pumps are clean and suitable for the cargo specified in Part I to the satisfaction of the charterer's agent(s). Also the master should keep the tanks and other systems clean at all times and the charterers can inspect them before loading or at each port. The time used to inspect the tanks and causing delay is counted as laytime or demurrage.

More specifically, the charters stipulate that the shipowner will clean the ship's pumps and piping before loading the new cargo. Any type of cargo, e.g. crude oil or refined petroleum product, requires a different tank cleaning process. When clean product is to be loaded onto the ship, the risk of contamination is high, therefore all waste from the ship's tanks, pipes and lines.

When the carriage concerns crude products and since a cleaning cannot be completely successful, the shipowner does not undertake to clean the tanks of all foreign matter because he knows that it is practically impossible to clean all the residues from the previous cargoes.

After cleaning, the ship is inspected by an inspector appointed by the charterers, who approves that the ship is ready to load the agreed cargo and issues a corresponding certificate. In case that the ship is rejected by the inspector, the cleaning process is ordered to be repeated at the expense of the shipowner. Because re-cleaning is an extremely expensive process, the shipowner must exercise particular care in this term of the charter party.

The ship is not responsible for any mixture if the cargo consists of more than one article, unless the mixture was caused by the unseaworthiness of the ship or by the error of the crew during loading, carriage or discharge.

10.8 ADDITIONAL OIL POLLUTION

Many charter agreements contain a separate, complementary term, the oil pollution clause, which is extremely important as it defines the measures against marine oil pollution.

In the event that the oil spill originates from the ship, the master or shipowner shall inform the charterer and the charterer shall in turn take the necessary measures in a timely manner to minimize and avoid pollution. Although measures are the responsibility of the charterers, their costs are charged to the shipowners as they are deemed to have been taken on their behalf. This does not apply in cases where the pollution was caused by the charterers or its cost exceeds the stipulated agreement. In the event that oil spillage from the ship results in oil pollution, the charterers may (after informing the shipowners) appoint their representatives who will be in charge of supervising the measures implemented by the Authorities or the shipowners to deal with the problem.

It is stipulated that shipowners have the obligation to maintain insurance coverage for the compensation of liabilities to third parties in case they suffer damages from pollution caused by the ship. The compensation will come from the P&I Clubs or from insurance companies. In this way the charterers try to avoid possible liabilities for which the shipowners are responsible. Otherwise, shipowners are charged their own costs for uninsured coverage.

CONCLUSIONS

Based on what was mentioned in this thesis, we come to some conclusions based on the development of the freight market and its operation.

The shipping industry, which is an integral part of the global economy, is a complex and complex market consisting of many interdependent sectors. The freight market in particular, because it operates in a global context, depends on many factors, both exogenous and endogenous.

The main charter centers and shipping agencies started out as simple coffee shops and evolved over the years into their current form. The people who created them contributed significantly to the development of the charter market and the way it operates, creating a huge network of regulations. This grid has solid foundations for the course of the freight market.

Persons and contracts, on the other hand, in turn establish the circuit of the

charter market. It is an area that unquestionably requires people with excellent knowledge of the subject and with strong personalities. In order to close the deal and sign a freight contract without wasting valuable time, the negotiations between the contracting parties should be fast and above all accurate.

Chartering is an activity of primary importance for shipping companies, as it is their main source of income. The main types of charter are voyage charter, time charter, bareboat charter and consecutive voyage charter. The obligations of the shipowner and the charterer differ in every type of charter. The most prevalent is the voyage charter, although in recent decades it has been chosen the time charter and bareboat charter. The agreement of each type of charter is finalized with the charter agreement. Charter agreements are the product of a free, long and arduous negotiation process between the parties involved in order to achieve an equal distribution of rights and obligations. In fact, international associations, such as BIMCO, FONASBA, INTERTANKO (of shipowners, charterers and freight brokers) as well as large oil companies (SHELL, BP), played an active role in the design and drafting of standardized charter agreements, which are used as an initial framework whether it concerns voyage charter party or time charter party and are either adopted in whole or used in part by removing or adding clauses to meet the requirements of the respective charter.

In liquid fuel transport charters, the voyage charter party and time charter party are used. From the comparison of the terms of the studied charter agreements, similarities and differences emerge, which illustrate the characteristics of each type of charter, given that in the voyage charter party the cargo and the course of the ship are considered a key element, while in the time charter party the central element is the ship, the time and the resulting obligations from this. The structure in both charter agreements is the same, while differences are observed in the clauses concerning the characteristics of each type of charter.

Regardless of the differences-similarities mentioned, the choice of charter type is a strategically important decision, since in voyage charter the shipowner has more profit margins but also greater risk-taking, while in time charter ensuring a stable income for the duration of the charter by shifting the business risk and obligations to the charterer.

In conclusion, the charter agreements depict the economic relations of the charter market, they are drawn up in such a way that most clauses try to ensure the

interests of the shipowners, because, it seems, the shipowners have more power.

Nevertheless, market changes play a catalytic role in the financial outcome of a charter. The specialized and appropriate handling of the terms of the charter agreements is required in order for them to be clear, sufficient, complete and objective in order to achieve a convergence of the requirements of shipowners and charterers with the aim of avoiding conflicts-controversies, safeguarding the interests of the contracting parties with the ultimate aim of achieving of various charters.

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