

- Price of D.O. \$ 155.-
 - Port Disbursements:
 - At Port Hedland \$30,000.-
 - At Lianyungang \$30,000.-
- (Port Disbursement means: Expenses at port for various heads such as port charges, tugs, pilotage etc.).*
- Other expense assume \$ 3,000.-
 - Charterer "in" Vessel daily hire \$ 6,000.-
 - Discharging take about 4 days
 - Distance: HongKong/Port Hedland 2,710 nautical mile
 - Port Hedland/Lianyungang 3,257 nautical mile

- a) Prepare a voyage estimate and give the break-even freight rate.
- b) Draft a firm offer in short form to reply the above indication from Charterer.

Your reply should include all the followings:

- the normal main terms
- assume a vessel name and some particulars (need not put figures except DWT, Yr built, Flag, Class, Cubics, GRT/NRT)
- freight rate and payment
- Loading and discharging rate
- Taxes and charter party form, etc.

ANSWER a):

SAILING DAYS REQUIRED:

- A) HONG KONG/PORT HEDLAND = $2710/312$ (13 KNOTS*24 HRS) = 8.69 DAYS
BALLAST PASSAGE
- B) PORT HEDLAND/LIANYUNGANG = $3257/312$ (13 KNOTS*24 HRS)= 10.44 DAYS
LADEN PASSAGE

(For simplicity: (1) Same speed/fuel consumption taken for loaded and ballast legs, in practice, it is better to describe them separately e.g. Ballast 13.5 Kn at 34 mt and Loaded 12.5 at 34 mt. (2) No weather factor taken. Generally may add about 3 days or 5% to the total number of sailing days, as reasonable to do so depending upon the length of the business and expected weather at the time of year).

PORT STAY:

- C) LOADPORT I.E. PORT HEDLAND 54,000 MTS CARGO/40,000 MTS LOAD RATE = 1.35 DAYS
- D) DISPORT (Discharge Port) I.E. LIANYUNGANG = 4 DAYS (GIVEN IN QUESTION)

TOTAL DURATION (A+B+C+D) = 24.48 DAYS, say 24.5 days.

BUNKER/FUEL COST:

WHILE SAILING:

E) FUEL OIL = 19.13 DAYS (A+B) * 35 MTS/DAY CONSUMPTION * USD 110/PMT = USD 73,650

F) DIESEL OIL = 19.13 DAYS * 2 MTS/DAY * USD 155/PMT = USD 5,930

IN PORT CONSUMPTION:

G) DIESEL OIL = 5.35 DAYS (C+D) * 4 MTS/DAY * USD 155/PMT = USD 3,317

TOTAL BUNKER COST (E+F+G) = USD 82,877

TOTAL VOYAGE COST:

BUNKER COST	= USD 82,877
PORT DISB	= USD 60,000
CHARTERED IN VESSEL COST	= USD 146,850
OTHER EXPS	= <u>USD 3,000</u>
TOTAL	= USD 292,727

BREAK EVEN FREIGHT RATE REQUIRED TO PERFORM THIS VOYAGE:

USD 292,727/54,000 MTS CARGO = USD 5.42 PMT ROUNDED OFF TO USD 5.40 PMT

Points to ponder:

1. Suppose the vessel had an engine breakdown and the repairs took 4 days at sea. (Hint: No main engine consumption for these 4 days but generators will be running).
2. Suppose vessel faced bad weather and took 3 days extra. Assume same Main Engine consumption for these 3 days but the speed had dropped due to adverse current/swell and wind.

How will the breakeven rate be affected in each of above cases?

ANSWER b):

OWNERS ARE PLEASED TO OFFER FIRM AS FOLLOWS SUBJECT REPLY WITHIN 30 MINUTES TODAY, 3 SEPTEMBER 2001:

MV COMMERCIAL ASPECTS

BUILT FEB 1987

HONG KONG FLAG/CLASSED LLOYDS

7 HO/7 HA

GRAIN CUBICS: 70,000 CBM

GT/NT 32222/23333

ALL DETAILS ABOUT

FOR

ACCOUNT: FCC

CARGO/QTY: 50,000 MTS IRON ORE IN BULK 10 PCT MOLOO

1SBP PORT HEDLAND, AUSTRALIA / 1SP LIANYUNGANG, CHINA

LAYCAN 0001 HRS 15SEPT/2400 HRS 22SEPT, 2001 (LOCAL TIME). VLSL ETA PORT HEDLAND 12 SEPT AGW UCAE WP.

LOADRATE/DISRATE: 40,000 MTS PWARD SHINC / DISCHARGE CQD (see associated risk in the notes at the end of the article)

FREIGHT RATE: USD 8 PMT FIOST BASIS 1/1

DEMMURAGE/DESPATCH: USD 10,000 DHD

PAYMENT: 95 PCT FREIGHT PAYABLE WITHIN 3 BANKING DAYS AFTER SIGNING
RELEASING B/L (Bills of Lading) MARKED FREIGHT PAYABLE AS PER CP. BALANCE 5 PCT
TOGETHER WITH DEMMURAGE/DESPATCH, IF ANY, TO BE SETTLED WITHIN 30 DAYS OF
COMPLETION OF DISCHARGE.

TAX CLAUSE: TAXES/DUES LEVIED ON THE CARGO SHALL BE PAID BY CHARTERERS AND
TAXES/DUES LEVIED ON THE VESSEL SHALL BE PAID BY OWNERS.

NO ADDRESS COMMISSION TO CHARTERERS/NO BROKERAGE

SUBJECT DETAILS BASED ON CHARTERERS FULLY EXECUTED GENCON CP TO BE
MUTUALLY REVIEWED/AGREED.

ALL CHARTS SUBJECTS TO BE LIFTED WITHIN 24 HOURS AFTER FIXING MAIN TERMS.

END OFFER++

NOTES:

- IN A VOYAGE OFFER THERE IS NO NEED TO GIVE THE VESSELS
SPEED/CONSUMPTION
- FCC: First Class Charterer; MOLOO: More or Less in Owners' Option; SBP: Safe
Berth, Port; FIOST: (Free In/Out and Trimmed. Charterer pays for cost of
loading/discharging cargo, including stowage and trimming); AGW UCAE WP: All
Going Well, Unforeseen Circumstances Always Excepted, Weather Permitting;
PWWD: Per Weather Working Day; SHINC; Sundays and Holidays Included; CQD:
Customary Quick Despatch (Here the owner or disponent owner must find out from
agents as to what is customary in that port for similar size vessels to discharge and
what is the line up situation, holidays etc – to make the question easier, use 4 days in
this case; it is important to note that here the risk lies with the Owner/disponent
owner because if the ship gets delayed, the loss will be on their account); DHD:
Despatch Half Demurrage. ADDCOMM: Address Commission.

A Twist

Important: Note the difference between the breakeven rate and the rate offered.

Estimated Revenue from the Business = 54,000 x 8 =US\$ 432,000

Total Expenses =US\$ 292,727

Net estimated profit =US\$ 139,273 i.e. 5,689/day

(i) Please note the example given above takes into account the prevailing rate in a very poor market of end 2001. Today, the same Panamax, as considered above, earns more than 4 times i.e. the hire of the Chartered “in” vessel is US\$ 26,000/day and the Cost of bunkers is approx. F.O. = US\$ 300/ton; D.O. = US\$ 490/ton. How about reworking the figures to get an idea of the cost of transporting one ton of iron ore and comparing with that obtained above?

(ii) What if the hire of Chartered “in” vessel is US\$ 40,000/day and the Cost of bunkers is F.O. = US \$ 360/mt; D.O. = US\$ 504/mt? Compare this with 2001 and the example in (i) above. A scenario close to above did occur during the last two years.
