

# Delay in delivery non delivery law commercial essay

Law



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## **Abbreviations**

MIA Marine Insurance Act  
CTL Constructive Total Loss  
GAG General

Average  
H&M Hull & Machinery  
IG International Group  
IGA International Group

Agreement  
IMO International Maritime Organization  
MSC Maritime Safety

Committee  
P&I Clubs Protection & Indemnity  
TEU Twenty-foot Equivalent

Unit  
B/L Bill of Lading

## **1 Introduction**

Background  
Purpose  
Disposition  
Method and material  
Delimitations

Marine insurance plays a major role in modern commerce, providing financial protection against losses that shippers, merchants and banks cannot risk having. More specifically, when a financial contract takes place between a bank and a ship, the bank must make sure that the ship is insured for any potential damage or loss. For this reason banks require from ships to be "fully insured". Domestic and international trade is financed by the banking system which operates on the basis of security against loss. The bank will not risk a bill of exchange unless the goods are insured against marine risks and the marine insurance policy or certificate of insurance is officially lodged as a guarantee of security for the bank. There are various kinds of insurance that a vessel must have in order to be "fully insured". These are shown in the following section:[ raptodimos]

## **2 Capital Interest**

### **2. 1. 1 H&M**

H&M insurance covers the costs of ship being lost. Also, protects the ship owners, from physical losses or damages, caused to the ship and its equipment. Additionally, this insurance covers some liabilities such as; collision liability with another vessel (known as RDC – Running Down Clause) and also covers collision with other objects (known as FFO – Fixed and Floating Objects). Usually H&M insurance cover; Costs of repairing physical loss or damage to a vessel. Reimbursement following total loss of a vessel (Actual and Constructive) Expenses to prevent loss (Sue & Labour, Salvage and GA contributions) Collision Liability Expenses associated with claims ( survey fees etc)

### **Total Loss**

Total loss has two categories – actual total loss and constructive total loss. An actual total loss occurred, when the insured matter is destroyed or damaged as to cease to be a thing of the kind insured, or where the assured is irretrievably deprived, defined by MIA. On the other hand, constructive total loss, as defined by MIA is, when the matter insured is reasonably abandoned on account of its actual total loss appearing to be unavoidable, or because it could not be preserved from actual without an expenditure which would exceed its value when expenditure has been incurred.

### **Running Down Clause**

In the year 1836, after an accident happened, a new clause introduced. This clause, whereby the underwriter agrees to take upon himself the risk of

liability of the owner for damage done by the vessel insured owing to collision with another vessel and to extent of three-fourths of such liability. This clause is called the 'Running-down clause' or sometimes the 'Collision clause'. In special cases when the protection afforded by the clause is extended to cover in full the liabilities referred to (three-fourths) are deleted. The original idea was to limiting the cover of three-fourths by compelling the assured to bear the one-fourth of his loss, with resulting benefit to the underwriters, than there might be if the assured were relieved of the whole of his liability. An increase in size and values of vessels and their cargoes, and the significant increase in the potential liabilities of ship-owners arising from collisions at sea, it became the practise for ship-owners to insure the remaining one-fourth of their liability under a system of mutual insurance. Mutual insurance is a system by which everyone insured becomes in effect both assurer and assured. In the case of collision between an insured vessel and another vessel the Running-down clause does not protect the assured against liabilities which may incur. Certain limitations applied in respect of collision liabilities are imposed. However, there is one exception to the rule. A ship-owner in certain circumstances becomes liable for damages through a tug, which was towing his ship, colliding with another vessel. The damages which the owner of the ship in tow has to pay are recoverable under the Running-down clause. Pg 299

## **2. 1. 2 Hull interest**

Hull interest pays a defined amount following declaration of a total loss on the H&M policy. It may also include Sue and Labour, excess collision liability and general average.

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### **2. 1. 3 War Risk**

War risk insurance provides the vessel owner with insurance against war and marine terrorism perils. These perils include capture, seizure, arrest, restraint, detainment, confiscation, expropriation and any terrorist act or person acting maliciously or from a political motive. Additionally, these perils are usually excluded from the H&M cover, so it is necessary for an assured to buy cover separately against war risks. Moreover, war risk insurance generally has two components: War Risk Liability, which covers people and items inside the craft and is calculated based on the indemnity amount; and War Risk Hull, which covers the craft itself and is calculated based on the value of the craft.

### **2. 1. 4 Builders Risk**

Shipyards are exposed to different range of perils and insurance coverage is necessary. Regardless the contractual requirement is required to respond in the event of physical loss or damage to the vessel in the course of construction, as well as related liabilities, which is under their care, custody and control. Furthermore, it can also cover the following; All Risks of Physical loss or damage to Vessel during construction, testing and trials. Failure to launch; Collision with other vessels; P&I risks, including loss of life, damage to fixed and floating objects and removal of wreck; Cargo shipments and transit risks including storage and work in progress; Perils can be extended to include Earthquake and Volcanic Eruption.

## **2. 1. 5 Mortgagees Interest**

This cover protects Mortgagees, for outstanding loans and interest should there be any non payment of a claim by underwriters due to a breach of warranty by the operators of the vessel in question.

## **2. 1. 6 Cargo**

The owner of cargo usually insures the cargo against losses or damages during transportation. In that way the owner of cargo covers their financial exposure against losses or damage. Therefore banks will be ensured that there is no risk in their financial investment. Cargo insurance is provided by the Syndicates of Lloyd's but more commonly by professional insurance companies around the world. There are three types of cargo insurance available: Case A: Covers all the possible dangers that can cause loss of cargo. Case B: Covers losses from fire, explosions, grounding, capsizing, collisions, earthquake, volcanoes and corrosion from water. Case C: Covers losses as explained in case B, except earthquake and volcanoes.

## **2. 2 Income**

### **2. 2. 1 Loss of Hire**

During ship repairs, an amount of significant losses occur for the ship-owner. During repairs, the vessel is off-hire and capital and operational costs are still due. Loss of hire covers the ship-owner losses when the vessel is off-hire, for a significant amount of time – commonly 14 days. Furthermore, there is also an overall limit per policy year. In that case, if the vessel exceeds the set number of days per year, there is a possibility for the assured to re-apply for the cover, by purchasing new cover for the remaining period of the policy

year. In some cases, the insurance includes war cover. In this way, loss of hire claims are covered if the result from damage covered by war risks.

## **2. 2. 2 War risk**

## **2. 2. 3 Freight Interest**

This type of cover is used in combination with Hull and Increased value insurance in order to cover the anticipated future income for the ship-owner in the event of a total loss, and providing cover which is excluded by a loss of hire policy.

## **2. 2. 4 Delay in delivery/ Non-delivery**

These insurances protect the builder against loss of interest and financial penalties occur during the shipbuilding regarding delay or non completion of a vessel under construction. In continue, this policy it may also cover the buyer in the case of refuses the delivery of the vessel, following a delay. Losses depending from delay are covered separately from those depending from total loss or contract cancellation. There are four types of insured events under this policy and can be categorised as follow; Physical loss of or damage to the vessel or any part thereof including loss or damage during transportation, Damage to the premises, plant or equipment of the Builder or any sub-contractor including any contractor for Buyer's supplies Failure during launching, even though there is no damage to the vessel or yard or the blocking of any waterway, harbour etc., or any transport way or facility on land by any physical obstruction, Any event defined as force majeure in the construction contract. Furthermore, when the vessel is in the yard

awaiting repair or re-delivery, is exposed to multiple damages could happen, i. e. by fire from another vessel.

## **2. 3 Liability**

### **Limitation of liability**

The ship-owners under the maritime law have the right to limit his liability in terms of loss or damage resulting from negligent navigation or management of his vessel. From the beginning of nineteenth century, the limitation rules are the first example of protection issued from the state to the shipping industry. According to Denning MR, it ' is a rule of public policy which has its origin in history and its justification in convenience' [1]. Two main system of limitation of liability has been developed. The first system, limits the ship-owners liability only to the value of vessel and cargo. This system still operates in many countries, i. e. United States, but has two serious disadvantages. On the one hand, as older is the vessel, the claims are most likely arising, thus the smaller will be the compensation fund. On the other hand, the fund limited to the value of the vessel after casualty and the compensation is limited to the minimum (\$400 per ton), only if the vessel is lost in collision. The second system was introduced in United Kingdom in 1854 (Merchant Shipping Act 1854), and originate a new formula based on the tonnage of the vessel. From now on, the compensation level for each vessel, is normally calculated based on the size of ship involved in the incident and is irrespective of the amount of damage caused by it, according to the Merchant Shipping Act 1995 (the upgraded version of Merchant Shipping Act 1854).



## **Limitation amount**

Nowadays, limitation of liability is conducted by a number of conventions, which have been approved by IMO. These propose a number of general and specific rules related to limiting the liability of a ship-owner, i. e. to raise the limits for smaller ships to bring them into line with the cost of claims. The limitation is still dependant on tonnage of the ship, but in the future it will be calculated in relation to gross tonnage of the ship. The most common Convention is the 1957 which is related with the limitation of liability of ship-owners and the 1976 Convention on Limitation of Liability for Maritime Claims, more commonly referred to as the London Convention. The latter was amended by the 1996 Protocol to the Convention which becomes operative from May 2004. The table below summarized, general rules limiting compensation amounts for claims in respect of loss of life or personal injury and claims in respect of property damage or other loss, following the new limits of 2004. In respect of claims for loss of life or personal injury

## **Vessel with tonnage not exceeding**

### **2, 000 tons**

### **2 million SDRs**

Plus for each ton 2, 001-30, 000 tons 800 SDRs  
Plus for each ton 30, 001-70, 000 tons 600 SDRs  
Plus for each ton in excess of 70, 000 tons 400 SDRs  
In respect of claims for property damage or other loss

## **Vessel with tonnage not exceeding**

**2, 000 tons**

**2 million SDRs**

Plus for each ton 2, 001-30, 000 tons 400 SDRs Plus for each ton 30, 001-70,

000 tons 300 SDRs Plus for each ton in excess of 70, 000 tons 200 SDRs For

example in the case of claims for personal injury and property loss, using the

above tables, the limitation fund against a 50, 000-ton vessel is calculated as

follows: In the case of Personal claims

### **Tonnage bands**

**Tons SDR rate**

**SDR total**

0-2, 000

-

2, 000, 000 2, 001-30, 000 28, 000 x 800 22, 400, 000 30, 001-50, 000 20, 000

x 600 12, 000, 000

**36, 400, 000**

In the case of Property claims

### **Tonnage bands**

**Tons SDR rate**

**SDR total**

0-2, 000

-

1, 000, 0002, 001-30, 00028, 000 x 40011, 200, 00030, 001-50, 00020, 000  
x 3006, 000, 000

**18, 200, 000**

Thus total fund available

**54, 600, 000**

At a conversion rate on 02 April 2013 of SDR = £1. 012 this would value the fund at £55, 255, 200.

### **2. 3. 1 P&I**

P&I clubs, were formed in Great Britain by the end of nineteenth century, have grown with the development of larger and different types of ships, the increased range and scale of risks and the impact of new legislation around the world. P&I Club, is a mutual insurance association that provides cover for its members, who will typically be ship-owners and ship-operators. P&I Club provide insurance cover for broader indeterminate risks, such as third party liabilities that marine insurers are loath to cover. P&I club it may also cover the following risks; Personal injury to or illness or loss of life of crew members: covers an owner's liability for all deaths, personal injuries and illnesses which occur on board, including death or injury to crew, passengers, stevedores, pilots and visitors to the ship. Repatriation of injured crew members is covered by P&I insurance. Loss of personal effects: covers the owner's liability for loss of crew belongings in cases of shipwreck or fire on board. Does not cover overly expensive items of the crew members.

Diversion expenses: covers the owner's liability, in the case of diversion

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during the voyage. In other words, cover the basic running expenses of his ship during the diversion, such as; port charges, accommodation facilities.

Life salvage: It's an award given to a person who has saved or attempted to save the life of persons on board the salvage vessel. Collision liability: covered under the hull and machinery insurance. Loss or damage to property other than cargo: provides cover for loss or damage caused by collision of the ship, with an object that is property of other persons, such as docks, wharves, locks. Pollution: covers the owner's liability with respect to pollution caused by cargo from their vessels. Towage contract liabilities: covers an owner's liability in case of harbor towage. Liabilities under contracts and indemnities: covers the owner's liability to secure services required by their ships, for example obtaining the services of a floating crane. Cargo liabilities: covered under cargo insurance. Wreck liabilities: covers the owner's liability, with respect to the raising, removal, destruction, lighting or marking of the wreck of his ship. Certain expenses of salvors: The Lloyd's Standard Form of Salvage Agreement provides cover to ship owners in case of a contractor having to be indemnified by the ship owner. These expenses are covered under the Lloyd's form or under general maritime law and there are not recoverable under the hull and insurance policies. This agreement between the club and the ship- owners, is called SCOPIC. Fines: covers a variety of fines that have to be paid by a ship owner. Legal costs: covers a variety of legal costs and similar expenses which ship owners have to pay. The risks described above are insured under the Club's rules.

## **2. 3. 2 War risk**

### **2. 3. 3 Charterers Liability Insurance**

Charterer's liability insurance provided through P&I Club or through the commercial market using the Standard London Wording 1996 and could split in two categories, liability in respect of hull and liability in respect of cargo. Liability in respect of hull could split in two categories. The first one is Ship damage which offer legal liability to the owner for physical loss of or physical damage to the insured ship, and the second one, is Hire & Demurrage which offer legal liability to the owner for hire, demurrage or damages occurred during the insurance period. Liability in respect of cargo has two categories either. On the one hand, is Cargo Loss or Damage which offer legal liability for physical loss of or physical damage to or shortage of cargo and other responsibilities in respect of cargo carried by the assured. Coverage is given only during transit of the cargo and evidence for the identity of the cargo is necessary, such as bill of landing. On the other hand, is Hire & Demurrage which offer legal liability to the owner for hire demurrage or damages during the insurance period in which the ship cannot trade the cargo. Moreover, sometimes charterers are exposed to a number of significant risks where damages are caused to the vessel itself. Some of the damages may occur describing below; Firstly, the ship may be supplied with defective or contaminated bunker, which could cause a main engine breakdown, with result poor manoeuvrability. In an extreme case the ship runs aground and become a total loss. In this case the charterer will be responsible not only for the loss of the ship but and for wreck removal, oil pollution, loss of life and cargo claims which may occur. Secondly, charterers are responsible for the

safety of the vessel when arriving at port, during discharging and loading operation. If charterers propose a port and the vessel runs aground then may be responsible for the damage caused. Thirdly, during loading and discharging operation, a lot of time, damages caused to vessel from the stevedores. In this case charterers there are not completely responsible, but lies on the decision of the owner, if stevedores will be sued directly or if the charterers will be sued under the charter party; commonly choose the second option. Furthermore, another case which damages caused by stevedores is from over-loading. Some common examples are distorted hatch covers and dented tank tops caused by improperly declared weights. In extreme cases this situation could affect the stability of the ship and result to a total loss.

## **Stevedores Liability**

Liability for stevedores insured them during their relay. The main responsibility of a dock labourer is to loading, unloading and storage the cargo. A dockworker is exposed to many dangers, some of them summarised below; Damage of the cargo during handling - such as damage to a motor due to a breakdown of a refrigeration unit. Damage to the ship from which cargo is unloading - commonly stevedore's equipment failure  
Legal liability risk - when a vessel reach a port some contractual agreements must be signed with the port authorities - in some cases these creates liabilities that must be covered  
Third party bodily injury and Property damage  
Errors and omissions - inability to provide the depicted services, with result a damage or a loss

## **Bill of Lading**

### **Introduction**

Bill of lading is the document which developed to resolve the obvious conflict between the interests of buyer and seller, and to provide adequate security for the bank. A bill of lading is a document issued by the captain or other agent of the ship-owner upon loading. A copy of that document is signed by the charterer and hand in to the sub charterer. Bill of lading, not only acts as a receipt for the cargo, but also acts as an evidence in the terms of the contract of carriage. It is also obligates the carrier to transfer the cargo to a particular destination. In other words a legal bill of lading acts as a proof of postage for the cargo. With the delivery of bill of lading to the carrier, the carrier acquires access to the cargo. The charterer carries the duty of delivering the loaded cargo only if the bill of lading is returned to him with a written receipt confirmation from the recipient. This applies even if the charterer backs out from the deal. Before dealing with the characteristics of bill of lading it is proposed to distinguish it from a mate's receipt and a delivery order, which are both common documents in shipping transactions. When the shipper delivers the goods on to the quay for shipment and the good are received by an agent of the carrier for shipment that agent gives the shipper a receipt known as a mate's receipt. When the good are shipped on board the vessel, it becomes the duty of the master of the vessel to deliver the signed bills of lading to the shipper in exchange for the mate's receipt. During this time, the mate's receipt may have been used by the shipper and delivered to some third party, but a mate's receipt is not normally a document of title of goods. When a bill of lading is given without

delivering up the mate's receipt, it is usual for the carrier to protect himself by taking an indemnity from the person who issued the bill of lading. On the other hand, when a buyer is receiving only part of a parcel of goods shipped under a single bill of lading, it will not be appropriate or practicable to transfer to him the bill of lading in respect of the whole parcel. In such case the contract would normally provide that the seller should perform his obligations by delivering to the buyer a delivery order for the part sold rather than a bill of lading. Then, a delivery order may be issued by the carrier or may be order by a person in possession of the goods ordering him to deliver them to the holder. In conclusion, a delivery order is not as valuable as a bill of lading, for it is not a negotiable instrument and it does not enable the buyer to bring an action against the carrier for any loss or damage of the goods.

### **Bill of lading types**

Traditionally when the goods released from a vessel a bill of lading form is essential. A bill of lading indicates when cargo is delivered to carrier or when cargo is loaded onboard. There are two forms of bill of lading the 'negotiable' and the 'non-negotiable'. Below some types of bill of lading are describing, Straight B/L - disclose that the cargo assigned to a specific person. This B/L specifies the names of the shipper, carrier and consignee. Order B/L - A B/L is necessary to presented in order to collect the goods. This B/L specifies the names of the shipper and carrier. Bearer B/L - In this B/L, the delivery must be made only to the person who has the lading form. Surrender B/L - Used under the term 'import documentary credit', the importer has the ability to do not pay the bank until the completion of the

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transaction. Clean B/L – Clarify the quality and condition of the loaded cargo.

Claused B/L – Declares that the goods were delivered is damaged.

## **Charter Party bill of lading**

A charter party is a contract which is negotiated in a free market and dependent only from the laws of supply and demand. When a charter party and a bill of lading are in use at the same time some difficulties arise. For example when charterers shipping their own goods on a chartered vessel, at least an acknowledgement of the quantity of goods on board, such as and the condition in which they were shipped, is required. But when bills issued to the charterer, merely acts as a receipt for the cargo shipped and the charterer is entitled to decide if he must sell the goods while is still in transit. In opposition, bills provide no evidence of the terms of the contract of carriage between ship-owner and charterer because their relationship is directed merely by the terms of the charter party. As described above, when freight transported by sea a contract between the shipper of the goods and the ship-owner is required. This charter contract, called 'charter party', has five types as describing below; Full Charter – the shipper charters the whole ship. Split Charter – an unspecified loading space on the ship is chartered. Space Charter – particular cargo hold on the ship is used by the shipper. Time Charter – for a specific time period, the shipping company makes the whole ship available. Bare Boat Charter – the shipper has barely the ship at his disposal, but without crew, provision or fuel. Usually, the demise charter is suitable for use in connection with government shipping activities, particularly in time of war or on emergencies. Also, it is available for ship-owners who wish to supplement his fleet for a limited period of time without

incurring the financial commitments associated with actual ownership, but at the same time wish to have the full control of the chartered vessel. The charter contract forms are the base for the charter party bill of lading. The charter contract it's necessary because it allocates the rights and forces the parties to issue the contract, significant with the amount of freight. Furthermore, in some cases the charter party could be offers some advantages to the exporter in the way of carrying goods to a certain location, with the same ship. Additionally charter party, it will be profitable and for the importer. For example, if he expects some shipments for a project from multiple suppliers which can all be carried on the same ship. In this case, the importer collects all the shipments only from the one ship he has chartered, which obviously is cheaper and also it is easier to calculate the freight costs.

### **Signing Bill of lading**

A B/L usually signed by the master, who is responsible to check the quality, quantity and description of the cargo. Additionally, the master has to validate the rightness of the B/L, in other case he will be a party of a fraud and the ship-owner can be liable. It the case where the vessel is chartered, usually .....Pg7

### **Charter-parties**

The agreement in which the whole of the ship's service are employed by one person or set of persons and expressed in a document is called charter-party. Also, a charter-party may be made for other purposes than the carriage of goods, for example, for passenger service, or for towage or

salvage. There are various types of charter-parties, of these the most important are voyage charter-parties and time charter-parties.

## **Voyage Charter parties**

In a voyage charter, the charterer hires the vessel for a single voyage, and the vessel's owner provides the master, crew, bunkers and supplies. The master and crew are the charterer's servants, and the possession and control of the ship belongs to him. Therefore, the ship-owner has no responsibility in connection with goods shipped while the vessel is thus leased. The principal clauses of voyage charter-parties describing below;

## **Introductory clauses**

All standard voyage forms will include an introductory clause identifying the contracting parties, the vessel and the agreed voyage. The charterer concerned only for the cargo capacity of the ship. Usually cargo capacity expressed in terms of deadweight tonnage, which means the weight of the cargo which safely can be carried by a ship. So far as details of the voyage are known, the charterer is responsible to nominate a safe port for loading and discharging.

## **Cargo clauses**

A specific description and quantity of cargo, i. e. 50, 000 metric tonnes of coal, is required from the seller, for the delivery of the export order. On the other hand, when there are more than one cargo on board ship, the charterer is permitted to select from a specific range of cargoes, i. e. rice or may characterize the cargo as lawful. If the charterer fail to supply the

required quantity of cargo, he will be liable to pay compensation for the dead freight.

## **Freight Clauses**

A charter party is responsible to record the agreed rate of freight, the unit of measurement of cargo, and the time and place of payment. On the one hand, his responsibility is to calculate the freight, both during loading and discharging of cargo, which is a straight forward operation. At the other hand, during loading and discharging of cargo a lot of discrepancies occurred, usually due to defective weighting machineries or human factor. Many of these problems may be able to be solved if the freight is quoted as a lump sum for the voyage. In the case where adequate facilities are not available at certain ports this procedure applied.

## **Laytime provisions**

Beneath voyage charter party, the most remarkable clause is lay days. Lay days are the number of days allowed by port authority to a ship to load or unload cargo without incurring demurrage or late charges. During these lay days the charterer did not pay any exceeding fee since it is already paid through freight. Additionally, if these lay days are exceeded, the charterer must compensate the ship-owner. One of the most important points during this negotiation is that the charterer tries to secure a number of lay days, in order to be covered in the case of unexpected issues during loading and discharging operations, in opposition with the ship-owner which try to restrict the number of days, in order to be able to charter the ship elsewhere. A remarkable problem arising, with regards the time at which the lay day will

start to run. The formula which is applied for the calculation of lay time has two conditions. On the one hand, when the ship is reaching the destination characterized as 'arrived ship', which grant the ship-owner to give the green light to the charterer to start the loading. Since the vessel becoming an 'arrived ship' the lay time starts running. On the other hand, the lay time is running against charterer and the charterer must ensure that the cargo for loading is available on time in order to avoid delays. When the loading and discharging operation is not completed within the specific period of lay time, the charterer is obligated to pay the extra time required and this payment called demurrage.

### **The time charterparty**

Time charter completely differs from voyage charter, because in a time charter the ship-owner charters the vessel for a specific amount of time. The main provisions found in most time charter-parties are as follow: The ship-owner agrees to provide a vessel for a period of time, and states her size, speed, fuel consumption, and amount of fuel on board. The port of delivery and the time of delivery of the vessel to the charterer are stated. The charterer agrees to engage only in lawful trades and carry lawful goods, and only use good and safe ports. The ship-owner agrees to pay for the crew's wages and for the vessel's insurance. The charterer agrees to provide and pay for fuel, to pay dock and harbour dues, arrange and pay for loading and discharge. The charterer agrees to pay a lump sum for the hire of the vessel. A clause concerns the redelivery of the vessel. The master is to be under the orders of the charterer. The charterer agrees to indemnify the ship-owner for

loss or damage to the vessel by careless loading or discharge. In continue, the clauses describing below constitute the core of the contract;

### **Clause describing vessel**

The most important factor, which is of vital importance for the time charterer, is the condition of the vessel; considered the speed, loading capacity and fuel consumption. Additionally, a speed warranty from the time that the vessel enters in service is necessary. For example; a vessel which was chartered under a time charter-party was described as capable of steaming at 15 knots, and due to some fouled bottom is only capable of steaming at 11 knots, in this case the owner is liable to the charterer.

### **The charter period**

A clause in the charter usually determines the charter period in days, months, or years. However, the movements of a vessel cannot be accurately planned since is depended from a lot of factors, such as weather. On the one hand, the charterer is responsible to return the vessel to the ship-owner within the stated charter period, with a tolerance of +/- 15 days. On the other hand, if the charterer exceed the stated period he will be required to pay for the extra time and also he will be liable to the ship-owner for any damages occurred. But there is one exception to the rule, only in some charter-parties the charterer is granted an option to extend the period after the normal expiry date.

### **Off-hire clause**

The charterer has the responsibility to pay the hire to the ship-owner irrespective of the use of the vessel. On the other hand, in the event of dry-

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docking, breakdown of machinery, damage to the hull or other accident, which continuing for more than 24 hours, no hire must not be paid.

## **Delivery**

A clause states that the vessel should be delivered at a specific port. The charterer is responsible to give directions, either on arrival at the port or before arrival, for the available berth in which the vessel is to go to make the delivery. The charterer at port of delivery must pay for all the fuel-oil remaining in the vessel's bunkers.

## **Trading limits**

In some cases the charter-party specifies that the vessel must only use safe ports within a certain area and may also state that the charterers have the privilege of breaching the trading limits by paying an extra insurance premium.

## **Careless loading or discharge**

The charterers are responsible for loss or damage caused to the vessel by goods being loaded/ discharged or by improper bunkering. The indemnity under this clause is enough to cover a reasonable settlement of a claim made by a stevedore against the ship-owner in respect of injuries during loading of the vessel. In contrast, the charterers are under no liability to indemnify the ship-owners unless there has been improper or careless loading, and this caused injuries.

## **Redelivery**

A vessel is to be redelivered at a port in the charterers' option at a certain place, but the day of redelivery shall not be Sunday or legal holiday. If the vessel is redelivered at the wrong port, the measure of damages varies according to the circumstances in each case. The charterer has to redeliver the vessel in the same good condition as when delivered. In the case, where a vessel is redelivered to the ship-owner and is not in the same good condition as when delivered due to charterers' fault, the ship-owner can claim the cost of repairs, but he cannot claim hire for this period. The owner must take over and pay for all fuel remaining on board at the port of redelivery, the charterer are not entitled to take on board fuel which is not required for charter-party purposes. The charterer has the right to send the vessel on one last voyage before the expiration of the period of the charter-party. If the charterer sends the ship to the voyage and there is no expectation that she will be redelivered within a reasonable time of the end of the period of the charter-party, he is guilty of a breach of contract.

## **Demurrage**

Demurrage is a payment provided by contract or by law, and is payable for loss of time for the purpose of loading or discharging. The delay for which demurrage is payable is a delay in excess of a certain loading or discharging period, which is called lay time.

## **F. O. B.**

Free on board means that the seller's main responsibility is to deliver the cargo on board the buyer's ship at the port of loading. The buyer has to bear



all costs and risks of loss or damage of the goods, and the cargo will pass to the buyer at the ship's manifold connection at the port of loading.

### **C. I. F.**

Cost, insurance and freight; means that the seller will supply the ship, load the cargo, pay the freight insurance and deliver to the buyer at a price notionally inclusive of all these elements, including a premium for his risk on the freight. Then it is buyer's duty to provide a safe berth at his nominated port of discharge and accept delivery upon arrival. In this case the lay-time and demurrage will relate only to the port of discharge and will not be expected to bear any demurrage costs at the load port.

### **C. F. R.**

In a cost and freight contract the risks are the same as for C. I. F. except that it is the buyer responsibility to provide his own cargo insurance.