



Dry Cargo Laytime and Demurrage Curriculum

Learning objectives

The maxim “time is money” is particularly relevant in relation to all aspects of shipping activity. In the context of voyage charters the risk of delay falls predominantly on the shipowner since the owner receives the same amount of freight no matter how long the voyage takes. However, the problem that the shipowner has is that the freight will have been assessed on the basis of guesstimated expenses many of which increase with the passage of time (e.g. salaries, insurance, port costs, bunkers etc). Therefore, if the shipowner’s initial guesstimate of the overall duration of the voyage proves subsequently to be inaccurate, his expenses will increase and this will squeeze the profit margin that he has built into the freight. Therefore, the shipowner will wish to transfer the risk of delay, particularly during those stages of the overall voyage over which he has the minimum control (i.e. the loading and discharging of the cargo), to the charterers.

In similar fashion, the charterers will not wish to accept the risk of delays occurring either on those stages of the overall voyage over which they have the minimum control (i.e. the approach voyage to the loadport and the laden voyage from the loadport) or when delays occur beyond their control during the cargo operations stages.

Therefore, laytime and demurrage provisions are intended to allocate the risk of delay by agreement between the shipowners and voyage charterers, and, if needs be, between the sellers and buyers under an underlying cargo sale contract. However, unlike many other aspects of shipping, laytime and demurrage is not subject to any compulsory international regulation and is not the subject of insurance. Therefore, disputes relate to the shipowners’, charterers’ or traders’ “own dollar in their own pocket” and success often depends on the successful or unsuccessful negotiation of particular contractual terms. Consequently, shipping and trading companies tend to employ laytime and demurrage specialists who, if successful, can contribute substantially to that organisation’s profitability.

This course comments on the fundamental principles which underpin laytime and demurrage and on how such principles can be changed quite dramatically by the wording of contractual terms. The course also includes practical examples of calculations. There is an obvious need for a thorough understanding of these principles since laytime and demurrage disputes constitute a substantial proportion of the cases which are tried by arbitrators and courts in many countries in any year and which result in substantial legal and other costs to the parties concerned.

Course content

This course will cover the following topics:

1. Background: who bears the risk of delay?

This section explains in more detail why the allocation of the risk of delay between the shipowner and the charterer is so different between a voyage charter and a time charter and how, even in the case of a voyage charter, the allocation is so different between the two voyage stages and the two cargo operation stages. The section also explains why, subject to restrictions placed by illegality, fraud or public policy, the law relating to laytime and demurrage is more or less unregulated by international or national legislation and gives examples of the effect of such a lack of regulation.

2. Laytime

This section comments on the meaning of laytime as the time that is allowed to the charterers for loading and discharging without the obligation to make additional payment and the various factors that will determine how much laytime may be agreed in different types of voyage charters. The section also explains by commentary and examples the different types of laytime that can be agreed and the financial implications to the parties of the choice that they may make in that regard.

The section also comments in detail on the important issue of the commencement of the laytime and the steps that must be taken by the shipowner in order to start the running of the laytime clock. This issue is a fundamental issue in that these are the steps that must be taken in order to determine the moment when the risk of delay is transferred from the shipowner to the charterer.

Finally, the section comments in detail on the circumstances in which the running of the laytime clock may be suspended during the cargo operation stages and the important differences between the various types of clauses which regulate the running of the laytime clock e.g. whether the clock stops running irrespective of whether the ship is actually loading or discharging at the time of the relevant event and whether the clock stops running only if and when the ship is actually loading or discharging at the time of the relevant event.

3. Demurrage

This section analyses the meaning of demurrage as the agreed compensation that is payable by the charterer to the shipowner if the loading or discharging is delayed beyond the laytime and the advantages and disadvantages of such agreement. The section also comments on when the demurrage clock (as opposed to the laytime clock) commences to run and the implications that this has on the subsequent running of the clock. In particular, the section explains why the commonly accepted maxim: "Once on demurrage always on demurrage" is not totally accurate and the circumstances in which the running of the demurrage clock may also be suspended during the loading or discharging.

The section also explains the circumstances in which parties other than the charterers may become liable for the payment of demurrage and the circumstances in which shipowners may enforce payment of demurrage by the exercise of a lien on the cargo. Finally, the section examines

the various forms of time bar clauses that oblige the shipowner to submit claims with supporting documents within a specified period failing which the claim is deemed to be time-barred and unenforceable.

4. Despatch

This section comments on the payment that may be made by the shipowner to the charterer by agreement if the loading or discharging is completed within the agreed laytime i.e. the mirror image of demurrage. The section also explains by commentary and examples the different types of despatch that can be agreed and the financial implications to the parties of the choice that they may make in that regard.

5. Claims for damages for detention

Since demurrage represents the compensation that has been agreed for delays that occur after the laytime clock has started to run and before the loading or discharging has been completed, delays which occur either before the laytime or demurrage clock has started to run or after the laytime or demurrage clock has stopped running cannot be compensated by the payment of demurrage. Therefore, it follows that the shipowner can claim compensation for such delays (i.e. for damages for detention) only if he proves that the relevant delay has been caused by a completely different breach of contract on the part of the charterer and only if he is able to prove exactly how much financial prejudice has been caused to him by that delay. Such factors are notoriously difficult to prove and this section examines the circumstances in which the shipowner may bring claims for damages for detention and the difficulties involved in so doing.

6. The role of laytime and demurrage in contracts for the international sale of goods

Since the charter party is in effect the contract that regulates the transportation aspect of an international sale of goods, delays in loading or discharging the ship that may be caused by the party to the contract of sale that is not the charterer of the ship (e.g. the buyer in a CIF cargo sale) may result in the charterer having to pay demurrage to the shipowner under the terms of the charter although it is in fact the cargo buyer (as receiver of the cargo) that has caused the delay rather than the charterer. This section examines the circumstances in which the charterer may be entitled to claim compensation from his contracting partner under the sale contract in such circumstances.

Finally, this section examines the wider relationship between the cargo sale contract and the charter party laytime and demurrage provisions and the ways in which the charterer can make use of the charter party laytime and demurrage provisions to maximise his interests under the cargo sale contract.

Course trainers



Merete Lund Greisen is the Head of BIMCO's Support & Advice department which is responsible for advising and guiding BIMCO members on contractual issues and disputes. This involves recommendation on proper charter party forms, commenting on terms and clauses agreed and to be agreed, interpretation and construction of charter parties and clauses. Ms Greisen has been concentrating primarily on different areas of the commercial aspects of tramp shipping

throughout her career path. Besides her many years of relevant experience from the chartering departments of ship owners/operators, she also has a background from a large industrial group and the chartering seen from a cargo owner's point of view.



Henning Nielsen is the senior manager of BIMCO's Support & Advice department which is responsible for advising and guiding BIMCO members on contractual issues, such as handling laytime disputes, recommendation on proper charter party forms and clauses, handling disputes on interpretation and construction of charter parties and clauses, etc. Mr Nielsen started his shipping career in an owner and chartering company more than 40 years ago and has built up his expertise in

laytime and demurrage issues which is widely recognised by BIMCO members. He has been head of the department for many years and regularly produces articles and teaches in BIMCO courses. He is the co-author of a Danish handbook aimed at acquainting ship masters with the intricacies of chartering, the terms and procedures most widely used as well as the pitfalls in charter party contracts.



Peter Storm, Manager Support and Advice in BIMCO, is responsible for advising and guiding BIMCO members on contractual issues and disputes. This includes recommendation of relevant charter party forms, advice on terms and clauses, as well as guidance regarding interpretation and construction of charter parties. In addition, Peter is also responsible for all ice-related queries which includes making sure BIMCO members always have access to the latest information with regards to

ice conditions worldwide.




















Peter's shipping career began as a trainee in 1994 with a Danish shipowner where he gained experience in both operational and commercial roles. He worked for many years with a major brokering firm holding a variety of positions as a shipbroker before joining BIMCO in 2013.

Peter has also been employed within the financial sector for several years.

Training Language

English

Learning plan

Learning outline	Activity	
Week 1	Complete section 1	
	Complete section 2	
	Complete section 3	
Week 2	Prepare case study 1 group answers*	
Week 3	Attend webinar 1	
Week 4	Complete section 4	
	Complete section 5	
	Complete section 6	
Week 5	Prepare case study 2 group answers*	
Week 6	Attend webinar 2	
Week 7	Complete section 7	
	Complete section 8	
Week 8	Prepare case study 3 group answers*	
Week 9	Attend webinar 3	
	Course revision	
Week 10	Exam (3 hours)	
Post course	Exam results issued	
	Complete course evaluation	
	Certificate issued	

*Case Study answer are due three business days before the related webinar.

Course prerequisites

Participants should have already obtained basic knowledge of the maritime sector through their educational background and/or daily work, which includes employment by owners, charterers, brokers, law firms, insurance companies, maritime authorities and classification societies etc. Otherwise, basic knowledge of shipping can be obtained by joining the “Introduction to Shipping” course.

Training methods

The course is internet based with four key elements: interactive textbook (course learning material), case studies, webinars and resources section.

Case studies

This course has three case studies that the tutor discusses with participants during the webinars. Prior to the webinar participants work in groups, using a blog, wiki, email correspondence, etc, to answers for each case study and are to be submitted to three days before the webinar.

Exam

The exam is a written “open book”, which means you are allowed to consult your notes, books, the Internet, etc. However, the answers are to be your own words and no direct copying of others work. The exam usually consists of scenario-based or discussion-based, or essay-style questions. Your answers need to demonstrate that you have understood the logic and concepts behind a certain issue. Participants have 3 hours to complete the exam and upload it to the eLearning platform. Pass grade is 50 and above.

Recommended reading

Laytime and Demurrage, by John Schofield, 7th edition (London: CRC Press, 2015).

Carriage of Goods by Sea, by John F. Wilson, 7th edition (London: Longman, 2010).

Scrutton on Charterparties and Bills of Lading by Thomas Edward Scrutton, 21st edition (London: Sweet & Maxwell, 2008).

Voyage Charters, by Julian Cooke, Tim Young, Michael Ashcroft, Andrew Taylor, John Kimball, David Martowski, LeRoy Lambert and Michael Sturley, 4th edition (London, Informa Law 2007).

The Evolving Law and Practice of Voyage Charterparties, by D. Rhidian Thomas (editor) (London: Informa Law, 2009).

Commencement of Laytime, by Donald Davies, 4th edition (London: Informa Law, 2006).

Check before Fixing 2009-10, by BIMCO (Copenhagen: BIMCO Informatique A/S, 2009).

Shipbroking and Chartering Practice, by L. Gorton, Arne Sandeværn and Rolf Ihre, 7th edition (London, Informa, 2009).

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