

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 load port and the laden voyage from the load port) 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

The interactive digital textbook will cover the following topics:

Module 1: Background: who bears the risk of delay?

This module 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 module 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.

Module 2: Laytime

This module 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 module 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 module 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 module 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.

Module 3: Demurrage

This module 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 module 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 module 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 module 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 module 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.

Module 4: Despatch

This module 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 module 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.

Module 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 module examines the circumstances in which the shipowner may bring claims for damages for detention and the difficulties involved in so doing.

Module 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 module 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 module 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.

Assessment and certificates

At the end of the course, there is an online final assessment which will be graded by the system. It allows multiple attempts and pass grade is 50% or higher. Once you passed the assessment, a BIMCO Certificate of Completion will be issued and e-mailed to you.

learning plan

<i>Activity</i>	
Module 1: Introduction to Laytime and Demurrage <ul style="list-style-type: none"> <i>reading/listening: 13 slides</i> <i>module test: 10 questions</i> 	
Module 2: How is Laytime Calculated and Types of Laytime <ul style="list-style-type: none"> <i>reading/listening: 22 slides</i> <i>module test: 10 questions</i> 	
Module 3: When Laytime Starts to Run <ul style="list-style-type: none"> <i>reading/listening: 22 slides</i> <i>module test: 13 questions</i> 	
Module 4: International Sales of Goods and Bills of Lading <ul style="list-style-type: none"> <i>reading/listening: 30 slides</i> <i>module test: 10 questions</i> 	
Module 5: Demurrage - Rates, Timing and Liability <ul style="list-style-type: none"> <i>reading/listening: 26 slides</i> <i>module test: 9 questions</i> 	
Module 6: Demurrage - When Payable, Time Bars and Despatch <ul style="list-style-type: none"> <i>reading/listening: 21 slides</i> <i>module test: 10 questions</i> 	
Module 7: Claims for Damages for Detention <ul style="list-style-type: none"> <i>reading/listening: 15 slides</i> <i>module test: 14 questions</i> 	
Module 8: Laytime and Demurrage in the International Sale of Goods <ul style="list-style-type: none"> <i>reading/listening: 14 slides</i> <i>module test: 10 questions</i> 	
Final test <ul style="list-style-type: none"> questions 	