



# CHANGING MODES OF COMMUNICATION

## ITS IMPACT IN SHIP CHARTERING

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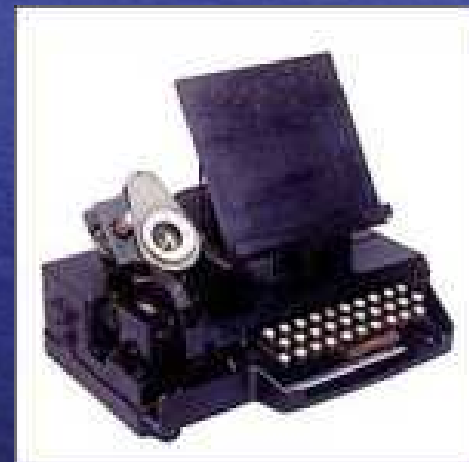
Tradex Marine Global FZCO



# COMMUNICATION METHODS IN CHARTERING

Earlier days dominated by telex and occasional long distance telephone call.

Fax was a major step forward – where long messages – and even pictures could be transmitted instantly. But cost was a deterrent factor





# COMMUNICATION METHODS IN CHARTERING

Emails ushered revolutionary changes:

- length of message no more a constraint
- insignificant cost
- Instant and reliable transmission
- Pictures – and even videos could be exchanged - economically





# COMMUNICATION METHODS IN CHARTERING

Mobile phones were another remarkable change

Commercial personnel could be contacted – anytime anywhere

SMS also being used as part of chartering negos





# COMMUNICATION METHODS IN CHARTERING



## BLACKBERRY

*"It's the proverbial blessing and curse,"*

*"It's a blessing because it liberates you from the office. It's a curse because there's no escape."*

*- a BlackBerry user*



# THE 1980'S

- Few Prominent Charter Markets:
  - London, New York, Europe, Tokyo, Sydney
- Most of world chartering done in these centers. Physical presence in one of these places an important factor
- Strong network among brokers
- First come first served principle in committing to ships/cargoes



# 1980'S

## - A TYPICAL CHARTER NEGOTIATION

- A new biz out in the market
- Flashed out on the telex machines of the few selected brokers
- Brokers for the ships in position picks up business and discusses with owners
- Owner evaluates the various options and choose the most suited business
- Gives authority to his broker from whom the business came first



# 1980'S

## - A TYPICAL CHARTER NEGOTIATION

- The Broker asks the local exchange to connect to his co-broker's telex
- The exchange connects telex line
- The brokers exchange their Answer Back – to ensure authenticity
- Owner's broker transmits owner's offer to charterer's broker
- Charterer's broker types "MOM" and discusses with charterer



# 1980'S

## - A TYPICAL CHARTER NEGOTIATION

- If charterer decides to continue negos, a counter is given immediately
- Owner's broker discusses with the owner and gives a counter
- The process continues until the business is concluded or dropped.
- All counters on Accept/Except basis – *meaning only those points they disagree are discussed.*



# CHARTERING IN THE NEW MILLENIUM

- Physical presence in the traditional chartering centres not essential
- Multiple offices – in different time zones - handling chartering on the same communication platform
- Bonding among brokers, owners and charterers not as strong as in the 1980's
- Businesses not necessarily on 'First come first served' principle.



# **THE NEW MILLENIUM**

## **- A TYPICAL CHARTER NEGOTIATION**

- A business is out
- The broker or panel of brokers flashes out the business to their associates who in turn repeats the business to their contacts— in a few minutes the business is well known to the market – often repeated many times over.
- The owners get the business from many brokers – they choose the most convenient broking channel ( not the one which gave the business first)



# THE NEW MILLENIUM

## - A TYPICAL CHARTER NEGOTIATION

- Based on owner's authority, the chosen broker gives an offer to his counterpart (charterer's broker)
  - *This offer is often much longer – at times 3 or 4 pages long - than the few lines full of abbreviations given in the '80's.*
- And negotiations continue until fixture is concluded or dropped



# THE NEW MILLENIUM

## - A TYPICAL CHARTER NEGOTIATION

- While negotiating a particular business, the owner continues to evaluate other available businesses
  - *start dialogue with other charterers; giving indications, getting clarifications, .. etc.*
  - *It is also possible that either the charterer or the owner drops the negos any time depending on fresh market info or alternate ship/cargo*
  - *Commitment to a particular business not as firm as it used to be.*



# ONCE THE BUSINESS IS CONCLUDED...

- **1980's**
- Brokers exchange the draft charter party (contract of carriage) based on standard formats and discusses modifications /corrections
- Charter party used will be the standard format with minimum changes
- **2000's**
- A proforma charter party is discussed at length – and many changes agreed.
- The proforma charter party is drastically different from the standard formats



## ONCE THE BUSINESS IS CONCLUDED...

- **1980's**
- Once all terms of the contract is finalised, the draft charterparty and the agreed changes are exchanged
- The originals are sent for signature of both parties.
- **2000's**
- A full recap – including the main terms and the charterparty details are exchanged.
- Thereafter the working copy of the charterparty is made
- Then the originals are sent for signatures of both parties.



## ONCE THE BUSINESS IS CONCLUDED...

- **1980's**
- No exchange of ship's certificates
- Usually only 'Sub stem' – hence very little chance of business failing
- **2000's**
- Copies of ship's certificates are exchanged
- Many other subjects - hence more chance for the business to fail.



# THE CONTRACT

## In the 1980's

- Few additional clauses in the charter party ( standard formats with minimum changes)
- Few conflicting clauses (since well drafted standard formats are used)

## In the 2000's

- Many additional clauses – at times 70 or 80 additional clauses including those covered under the standard formats
- Existence of conflicting clauses



# THE CONTRACT

## In the 1980's

- Points are not repeated ( a fall out of standard clauses being used)
- The clauses are professionally ( and legally ) worded
- Less ambiguous in case of disputes

## In the 2000's

- Many points, including those obvious ones, are repeated.
- Not necessary that the clauses are properly worded
- Ambiguity galore in case of disputes...



# THE CONTRACT

## In the 1980's

The clauses are sequential – less chances of jumbled up clauses

Charter party limited to main contractual terms. Operational matters followed up subsequently.

## In the 2000's

More chances of the clauses getting jumbled up. The same point may be mentioned in different clauses.

Tendency to include every operational aspect in the charter party.



# SHIP ↔ SHORE COMMUNICATION ON COMMERCIAL MATTERS

## In the 1980's

- Very little – except in serious need
- Brief voyage instructions
- Extremely brief messages

## In the 2000's

- Frequent interaction
- Detailed voyage instructions – at times includes formats of documents which Master should sign
- Lengthy Messages
- Exchange of vital information – including photographs – almost on real time basis
-



# IS LIFE EASIER?....

## In the 1980's

- Few messages from reliable sources
- Managing messages was no issue at all

## In the 2000's

- 100's or 1000's of messages from all over – many of them unknown (and unreliable sources)
- Managing messages effectively is one of the biggest challenges



# IS LIFE EASIER?....

## In the 1980's

- No Junk Messages
- Not too many duplicate messages

## In the 2000's

- Junk messages galore!!
- Duplicates, Triplicates,.... and many more of the same message (from the same source and from different sources)



# IS LIFE EASIER?....

## In the 1980's

- No 'Cut and Paste' technology – hence less chance of mistakes
- Less chance of incorrectly addressed messages ( Answer Back was a check)

## In the 2000's

- The versatile 'Cut and Paste' technology leads to embarrassing mistakes (unless careful)
- More chances of vital information reaching unwanted destinations (unless careful)



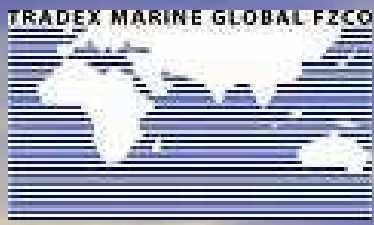
# IS LIFE EASIER?....

## In the 1980's

- Limited information
  - often taking time to disseminate

## In the 2000's

- Deluge of information spread instantly worldwide
  - ***Be on your toes or perish!!***



# IS LIFE EASIER?....

## **In the 1980's**

- Holidays and weekends were **REAL**

## **In the 2000's**

- Everyone expected to be available  
24 x 7 x 365 at the click of a button!!!  
*(thanks to Mobile phone and Blackberry...!!)*



# ARE WE USING TECHNOLOGY TO THE BEST?

- To a good extent YES
- Present day negos involve all means at disposal: e-mails, mobiles phones – voice and sms, fax and blackberry
- At times pictures and videos are also exchanged.



# ARE WE USING TECHNOLOGY TO THE BEST?

- Continues to use abbreviations along with long winding and repetitive clauses
- Chartering negotiation process; recap, exchange of proforma charter party, negotiation on charter party details, preparation of full recap, working copy of c/p, final c/p – is a long winding and cumbersome method without effectively using present day communications tools.



# ARE WE USING TECHNOLOGY TO THE BEST?

- The ‘accept/except’ method of olden days is good – but instead of short counters, repeating the entire clause could, in many cases, be better.
  - Repeating the clauses, especially after 2 or 3 changes, makes it clearer and unambiguous



# **SOME THOUGHTS FOR THE FUTURE**

- Replace standard charterparty formats with standard clauses. The contracting parties may choose the clauses which they need from the pool of standard clauses.
- Maintain different versions of commonly used clauses – so that contracting parties are free from the trouble of drafting clauses



# **SOME THOUGHTS FOR THE FUTURE**

- Have a checklist of the clauses needed to be incorporated. The charter party clauses to be numbered according to the checklist
- A list of contents – enlisting the clause numbers and what it covers



**THANK YOU**