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Chartering, Laytime & Demurrage

BUNKERING101

Maritime Commercial Operations

A Practical Guide to Charterparties, Laytime & Demurrage

Bunkering101

First Edition — 2026

Contents

Preface

Maritime Commercial Operations: Chartering, Laytime & Demurrage for Maritime Professionals bridges the gap between the bridge and the boardroom. It is written for ship officers stepping into commercial roles, chartering clerks learning the trade, and operators who need to understand the contracts that govern every voyage.

Most maritime education focuses on navigation, engineering, and safety. The commercial side — the contracts, the calculations, the disputes — is learned on the job, often through expensive mistakes. This book provides the structured foundation that prevents those mistakes.

What this book covers:

- How charterparties are negotiated and fixed
- The differences between voyage, time, and bareboat charters
- Laytime calculation and demurrage — the most commercially significant area for ship officers
- Bills of lading, freight, hire, and off-hire
- Speed and consumption claims
- Commercial documentation — NOR, SOF, statements of facts
- Dispute resolution when things go wrong
- Real-world case studies of commercial disputes

How to use this book:

Chapters 1-4 cover the charterparty types. Chapter 5 is the core — laytime and demurrage. Chapters 6-7 cover bills of lading and freight. Chapters 8-9 deal with performance claims and off-hire. Chapters 10-11 cover documentation and disputes. Chapter 12 is case studies. The appendices contain calculation worksheets, templates, and a glossary.

A note on law: This book describes general principles of maritime commercial law based on English law (the dominant governing law for international shipping). Specific charterparty clauses and legal outcomes depend on the exact contract terms and governing law. Always consult a maritime lawyer for specific disputes.

For questions, corrections, or feedback: contact@bunkering101.com

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Chapter 1

The Commercial Framework

Key takeaway: Every voyage is governed by a contract — usually a charterparty. Understanding who the parties are, how fixtures happen, and what type of charter applies is the foundation of maritime commercial operations.

1.1 The Players

Party	Role	Interest
Shipowner	Owns the vessel; provides the ship	Maximizes revenue per vessel per day
Charterer	Hires the vessel to carry cargo	Minimizes cost per ton of cargo transported
Shipbroker	Facilitates the fixture (contract)	Earns commission on the deal
Agent	Represents owner or charterer in port	Handles local arrangements
Cargo owner / shipper	Has goods to move	Gets cargo from A to B on time, on budget
P&I club	Provides liability insurance	Covers third-party risks

Party	Role	Interest
Bunker supplier	Provides fuel	Paid for fuel deliveries

Table 1.1: Key parties in maritime commercial operations

1.1.1 Types of Brokers

- **Owner's broker:** Represents the shipowner in negotiations
- **Charterer's broker:** Represents the charterer
- **Competitive brokerage:** each side's broker is paid by its own principal, rather than a single joint commission
- **Sale & purchase (S&P) broker:** Facilitates ship sales (not relevant to chartering, but often the same firms)

1.1.2 Commission Structure

Typical chartering commission: **1.25%** of hire or freight per broker. A fixture with two brokers (owner's + charterer's) costs the owner **2.5%** of the total hire/freight. Address commission (paid to the charterer's in-house broker) is typically **1.25%**.

1.2 The Fixing Process

A charterparty is negotiated and "fixed" (concluded) through a process:

1. **Order** — The charterer (or broker) circulates cargo requirements: quantity, load port, discharge port, laydays, rate indication
2. **Offer** — Shipowner (via broker) offers a vessel with terms: name, DWT, draft, speed, consumption, rate
3. **Negotiation** — Back and forth on rate, laytime, demurrage, speed/consumption, off-hire clauses, dispute resolution
4. **Fixture** — Both parties agree on all material terms. A "firm fixture" is binding
5. **Documentation** — The charterparty document is drawn up reflecting the agreed terms

The recap: Immediately after fixing, the broker sends a "recap" email summarizing all agreed terms. This recap is often legally binding even before the formal charterparty is executed.

1.2.1 Key Negotiated Terms

Term	Description	Typical Range
Rate	Freight per ton (voyage) or hire per day (time)	Market-driven
Duration	Trip (voyage) or period (time charter)	Single voyage to 5+ years
Laytime	Allowed time for loading and discharge	24 hours to 10,000+ MT per day
Demurrage rate	Penalty per day for exceeding laytime	\$5,000-\$100,000/day depending on vessel
Speed/consun	Warranted vessel performance	Varies by vessel
Delivery/rede	When and where charter begins/ends	Specific port or range
Off-hire clause	Events that stop hire	Standard clauses (NYPE, Baltime)
Dispute resolution	Arbitration or litigation venue	London, New York, Singapore most common

Table 1.2: Key charterparty negotiation terms

1.3 Types of Charterparties

1.3.1 The Spectrum

```
Voyage Charter          Time Charter          Bareboat Charter
(Furthest from          (Middle ground)       (Closest to
operational control)                          ownership)
      |                         |                    |
Owner pays:             Owner pays:           Charterer pays:
```

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- Fuel              - Crew wages          - Everything
- Port costs        - Insurance           - Maintenance
- Canal dues        - Maintenance         - Insurance
- Crew              - Fuel (charterer     - Fuel
                    pays fuel)            - Crew (charterer
                                          employs)
```

1.3.2 Comparison

Dimension	Voyage Charter	Time Charter	Bareboat Charter
Who pays fuel	Owner	Charterer	Charterer
Who pays port costs	Owner	Charterer	Charterer
Who pays crew	Owner	Owner	Charterer
Who pays insurance	Owner	Owner	Charterer
Who pays maintenance	Owner	Owner	Charterer
Who controls commercial ops	Owner	Charterer	Charterer
Who controls navigation	Master (owner)	Master (owner)	Master (charterer)
Payment	Freight per ton	Hire per day	Hire per day/month
Risk of delay	Owner (demurrage)	Charterer (hire runs)	Charterer (hire runs)

Table 1.3: Charterparty types compared

1.4 Common Charterparty Forms

Form	Type	Common Use
GENCON 94	Voyage	General cargo, dry bulk
NYPE 2015	Time	Dry bulk time charter
Baltime 1939 (revised 2001)	Time	General time charter
Shelltime 4	Time	Tanker time charter
Asbatankvoy	Voyage	Tanker voyage charter
Supplytime 2017	Time	Offshore support vessels
Barecon 2017	Bareboat	Bareboat/demise charter
Amwelsh 93	Voyage	US coal trade (Americanized Welsh Coal Charter)
Polcolvoy 89	Voyage	Polish coal exports
Synacomex 2000	Voyage	Grain

Table 1.4: Common charterparty forms

1.5 Decision Framework: Which Charter Form Fits?

Charter type is a risk-allocation decision, not just a payment structure. The form chosen determines who bears the voyage cost, the speed/consumption risk, the laytime risk, and the operating burden.

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Who controls commercial operation and bears voyage cost?
│
├─ Charterer controls cargo and voyage; owner provides a ship for a voyage
│   └─▶ VOYAGE CHARTER (owner bears voyage cost; charterer bears laytime risk)
│
├─ Charterer directs the trade; owner provides a ship and crew, paid hire
│   └─▶ TIME CHARTER
│         ├─ Charterer pays fuel & voyage costs, bears speed/consumption risk
│         └─ Owner bears operating cost (crew, maintenance, insurance)
│
└─ Charterer operates the ship fully; owner provides only the asset
    └─▶ BAREBOAT CHARTER (charterer bears everything; true operating lease)
```

Table 1.5: Risk allocation by charter type

Risk	Voyage charter	Time charter	Bareboat
Voyage cost (bunkers, port)	Owner	Charterer	Charterer
Operating cost (crew, maint.)	Owner	Owner	Charterer
Speed & consumption	Owner	Charterer	Charterer
Laytime/demurrage	Charterer	N/A	N/A
Insurance	Owner	Owner	Charterer
Technical management	Owner	Owner	Charterer

The practical rule: **the more control the charterer wants, the more risk it accepts** — and the lower the rate. Matching the form to the intended trade is the first commercial decision of any fixture.

1.6 The Fixture Workflow

A fixture is rarely a single event; it is a sequence of negotiations and documents. Knowing the sequence prevents expensive procedural gaps.

Table 1.6: From enquiry to completion

Stage	Document	Who acts
Enquiry / order	Cargo or tonnage enquiry	Broker circulates
Negotiation	Main terms ("recap")	Broker, owner, charterer
Recap	Recap (subjects)	Broker
Subjects lifted	—	Parties
Charterparty	Full charterparty drawn up	Brokers/legal
Fixture	Fixture note signed	Parties
Voyage orders	Shipping instructions	Charterer
Load/discharge	NOR, SOF, B/L, BDN	Master, agents
Post-voyage	Freight/hire invoice, laytime statement	Owners/charterers

The most common early error is treating the recap as final before subjects are lifted; a recap "subject to" approval is not a binding fixture. Understanding where the money and risk attach at each stage is what separates a settled voyage from a dispute.

1.7 Chapter Summary

- **Every voyage is governed by a charterparty** — the contract that defines rights, obligations, and payment.
- **Three main types:** voyage, time, and bareboat — each allocates costs and risks differently.
- **The fixing process** (order → offer → negotiation → fixture → documentation) produces the binding contract.
- **Brokers earn 1.25%** per side — the standard commission structure.
- **The recap email** is often legally binding — treat it with the same care as the formal charterparty document.

Get the Full Guide

This is a **free sample chapter** from *Maritime Commercial Operations: Chartering, Laytime & Demurrage.*

The full edition includes:

- **12 chapters** covering the commercial framework, voyage, time and bareboat charters, laytime and demurrage, bills of lading, freight and hire, speed/consumption claims, off-hire, commercial documentation, dispute resolution and case studies
- **Appendices** with laytime worksheets, an abbreviations reference, NOR/SOF templates, demurrage examples and a glossary
- Practical templates and worked laytime calculations

Get the complete guide: bunkering101.com