FONASBA

MINUTES OF THE CHARTERING & DOCUMENTARY COMMITTEE PLENARY MEETING HELD AT THE HOTEL INTERCONTINENTAL TOKYO BAY AT 2.00 p.m. ON THURSDAY, OCTOBER 20h 2005

Present:

Mr. P.G.D. Smith FICS	Vice Chairman, Chartering & Documentary Committee
Mr. P.J. Wood FICS	President

Mr. P. Campbell	Argentina	Mr. M. Paifelman	Italy
Mr. R. Garcia Piñiero	Argentina	Mr. N. Ganzarski	Israel
Mr. G. Gordon Findlay	Brazil	Mr. T. Iigaki	Japan
Mr. M. Froio	Brazil	Mr. Y. Isobe	Japan
Mr. J. Gomes	Brazil	Mr. J.B. Hansen	Japan
Mr. M. Bonelli	Brazil	Mr. K. Nakaue	Japan
Mr. D. Gama	Brazil	Mr. V. Vaicekauskas	Lithuania
Mr. M. Tudor	Croatia	Mr. M. Duin	Netherlands
Mr. C.P. Papavassiliou	Cyprus	Mr. T. Skaug	Norway
Mr. A. Houtved FICS	Denmark	Mr. K. Frode Eriksen	Norway
Mr. T. Paulsen	Denmark	Mr. E. Bandelj	Slovenia
Mr. R. Sandberg	Finland	Mr. N. Warner	South Africa
Mr. C. Génibrel	France	Mrs. B. Blomqvist	Sweden
Mr. K. Bültjer	Germany	Mrs. M. Collins	USA
Mr. J.W. Barclay FICS	Great Britain	Mrs. J. Cardona	USA
Mr. J.A. Good FICS	Great Britain	Mr. G. Knudsen	Intertanko
Mr. J.A. Foord FICS	Great Britain	Mr. G. Wramfelt MICS	The Shipbrokers Register
Mr. P. Demeter	Hungary	**Observers**	
Mr. B. Szalma	Hungary	Mr. R. Salonga	Philippines
Mr. Z. Pozsgai	Hungary	Mr. B. Salonga	Philippines
Mr. S. Finkei	Hungary	Mr. A. Capistrano	Philippines

In Attendance

Mr. J.C. Williams FICS	General Manager

Item **Action**

1/2. President's Welcome and Chairman's Opening Remarks

The **President** welcomed all those present to the Meeting. He advised that the Chairman, Mrs. Noer, was unable to be present due to a recent illness and that **Mr. Smith** would chair the meeting in her absence. He then handed the meeting over to the **Mr. Smith** who passed on formal apologies for absence and best wishes for a successful meeting from Mrs. Noer. He also welcomed the delegation from the Philippines and also **Mr. Knudsen** from Intertanko. He also passed on apologies for absence from BIMCO.

3. Minutes of the Previous Meeting Held Budapest, October 7th 2004

The minutes had been circulated previously. **Mr. Gordon Findlay** said that Brazil was represented at the meeting in Budapest but this was not recorded in the minutes. The Chairman asked that this be noted. With that amendment being made, the **minutes were approved.**

Mr. Smith took the opportunity of reminding the meeting of the current initiative by UNCTAD to revise international transport law, which was the subject of the presentation by **Mr. Barclay** last year. He said the next meeting was being held in Vienna in late November/early December and FONASBA would be maintaining a close watch on the outcome. The current proposals could impact on the broking industry, particularly on the issue of freedom of choice of jurisdiction for claims etc. **PGDS**

4. C&D Committee Advisory Panel Reports

Mr. Smith asked those members of the advisory panel present at the meeting, **Mrs. Collins** (dry bulk) and **Mr. Wood** (tanker) to report on activity in their sectors over the past year. He also invited **Mr. Knudsen** (Intertanko) and **Mr. Isobe** (Japan) to report on their specific areas of activity.

Copies of the reports given by **Mrs. Collins, Mr. Knudsen** and **Mr. Isobe** are attached to these minutes.

The main points of **Mr. Wood**'s report are summarised as follows:

- Global oil demand has risen and there are concerns that some economies may not be able to withstand current high prices
- China, India and Indonesia are reducing energy subsidies
- Increased oil price should encourage further exploration and better exploitation of existing reserves
- Tanker rates remain high but increasing bunker prices are eroding earnings
- Total tanker fleet grew by 19.2 m dwt in 2005 and increased earnings have led to a reduction in scrapping
- Newbuilding orders for tankers down 25%
- Increasing demand for LNG as alternative to oil is promoting an increase in orders
- New supplies of LNG being developed in Egypt and exports to Japan and India increasing
- US investing in increased regasification capacity
- Ships preferred to pipelines for transport, safer

Mr. Smith thanked all the speakers for their comprehensive reports.

5. Revised BIMCO ISPS Code Clauses

The **Chairman** decided to cover this subject under item 7.

6. Demurrage Time Bar Clauses

Mr. Smith gave the meeting a short presentation on the subject of Demurrage Time Bar clauses, which were an issue of particular concern to those brokers in the tanker trades.

He said a failure by a broker to process and pass on to charterers an owners' demurrage claim within the time limit specified in the charterparty can lead to the broker being held liable by the owner for the demurrage due, which could be considerable, and possibly for an additional claim for negligence. The primary reasons for claims being delayed by the broker included administrative delays, failures of couriers or other delivery methods (including e-mail) and in some cases a failure to note that there is a time bar clause. In many cases the applicable clause is not in the main body of the charterparty but in the additional clauses.

Typically, the time bar applies approximately 60 - 90 days after completion of loading/discharge. The "Shellvoy" charter requires that the claim be notified within 60 days and documents delivered within 90 days.

The only creditable defence against a failure to comply with the time bar clause is if the claim is received from the owner too close to the closing date to have any chance of processing it. In such cases, **Mr. Smith** said the broker should immediately notify the owner that as a result of the failure to instruct in good time, the broker will not take any responsibility for any refusal by the charterer to settle the claim.

The use of courier services is very common in the service of claims on charterers but the broker should be aware that the liability of the courier company only extends to the party that ordered the service, and not to any third party, such as the owner. In serving demurrage claims, the broker should comply with three important rules:

1. Check if there is a time bar clause, and if so, read it properly and be aware of what is required
2. If using a delivery service, ensure that it provides documentary evidence of receipt of the consignment by the addressee
3. Follow up on the delivery by contacting the charterer directly to confirm the consignment has been received

Mr. Wood said that some time bar clauses list the documents that must be provided to support the claim and must ensure the owner has provided all that is required. Failure to provide the required documents will usually lead to the charterer refusing the claim and a delay in obtaining additional documents could push the claim over the time limit.

The increasing use of e-mail and common demurrage calculation/processing software had, **Mr. Smith** said, reduced the incidence of demurrage claims against brokers – and indeed accelerated payment of claims by charterers - but he said human error in handling/notifying the claim was still the main factor in claims being rejected.

Mr. Smith said that there are very few instances of time bars being included in dry cargo charterparties and accordingly there is usually no limit on demurrage claims in that sector.

7. Documents and Clauses Under Revision

Details of the clauses under revision by Intertanko's Documentary Committee had been given by **Mr. Knudsen** in his report under agenda item 4 (attached).

Mr. Smith said that BIMCO had recently released two revisions of existing charterparties, "Gasvoy 2005" for the LPG trade, and "Supplytime 2005" for the off-shore supply industry. Contracts under development included the "Standard Shipbuilding Contract" form, which was an ambitious project to develop a standard contract for the shipbuilding industry. He said that BIMCO had brought together a large committee to work on the project, its members covering all interested parties. The first draft of the contract is expected to be considered by the Documentary Committee at its meeting in November.

Referring back to agenda item 5, **Mr. Smith** referred the meeting to the revised ISPS Code clauses for time and voyage charter business, copies of which had been circulated to all FONASBA members earlier this year. In revising the clauses to take account of the US Marine Transport Safety Act requirements, BIMCO had also responded to previous criticism by making the clauses rather more charterer-friendly. A particular feature of the voyage charter version was clarification of the allocation of costs in respect of the nationality of the crew, the vessel's recent trading pattern and the nationality of the ship manager, if appropriate.

8. Any Other Business

There was no other business.

9. Date and Place of Next Meeting

The **Chairman** confirmed that the next Plenary Meeting of the Chartering & Documentary Committee would take place in October 2006 in Marrakech.

There being no further business to discuss, the Chairman brought the meeting to a close

JCW/11.05

Association of Ship Brokers & Agents (U.S.A.), Inc.

DRY CARGO MARKET REPORT 2005

Good Afternoon Ladies and Gentlemen, Mr. Chairman, Members of the Board.

It is my pleasure to be here in Tokyo this afternoon representing The Association of Ship Brokers & Agents (U.S.A.), Inc.

My task today is to present a report on the Dry Cargo Market. A formidable task given the scope of the market. According to recent information published by the I.M.O. our industry is responsible for Ninety Percent (90%) of world trade. Without it, if I understand correctly, half of the world's people would starve and the other half would freeze to death.

The freight markets, almost across the board, are still enjoying the unprecedented levels which we first saw in 2003. What's keeping the market so high.? There are several obvious and tangible factors, such as supply and demand, the price of oil, tonne miles, and port congestion.
These are numbers that analysts and statisticians can plug into spreadsheets and make predictions with.

But the ocean freight markets, are if anything, unpredictable. If it were that easy, there would be no need to hedge freight and Forward Freight Agreements would not exist. The very same tangible factors, supply and demand - both of ships and commodities, the price of oil, tonne miles and length of stay in port become intangible when we take into account geopolitics, socio–economics and large scale natural disasters of which we have had several since the last time we met.

Supply and demand – world seaborne trade continues to grow. In 1995 the level of seaborne trade was roughly 20 trillion tonne miles. By the end of 2002 that figure had reached 25 trillion. Between 2003 and 2006 that figure will again increase by 5 trillion tonne miles, but over the course of only 4 years rather than the previous 8 years.

The world fleet was slow to keep pace, although current order books indicate an earnest attempt. In January 2003 there were about 5,510 bulk carriers in the world fleet. This number increased modestly to 5,590 ships by January 04 for slightly more than 1 percent net fleet growth. Just the increased demand for raw materials by China, coupled with this slow growth makes it easy to understand why the freight market appeared to have no upward boundaries in 2004. By January 2005 however, the fleet had grown to about 5,860 vessels – net growth of about 4.5 percent and the markets started to feel the pinch.

Let's talk a bit about the increased demand for raw materials. I have seen several articles refer to 2004 as the One Billion Ton Year. The one billion tons referred to is steel production. For the first, but not last, time in history, world steel production exceeded one billion tons. To make a ton of steel you need two tons of iron ore, not to mention, coal, coke and limestone. Iron ore imports in China have grown from 41 million tons in 1995 to an estimated 260 million tons in 2005, this versus just less than 210 million in 2004. The trend is set to continue. In fact, China is increasingly becoming a net exporter of steel, I should mention that China is not the only market that has significantly increased steel production. Taiwan and South Korea – although on a much smaller scales, have both seen major increases – Taiwan having almost doubled production since 1995 and Korea's production jumped 25% during the same period. Both of these countries rely heavily on foreign ore.

Seaborne coal trade has also grown tremendously, increasing from just over 500 million tons in 1995 to almost 700 million in 2005. Overall coal imports increased among the major importers. Coking coal saw only a modest increase, while imports of steam coal have doubled in Taiwan, South Korea, Israel, and Japan. They have quadrupled in the U.S.

The grain trades as we know, have a significant impact on the freight market. Increases in world grain production vary from year to year, but the real story here is tonne miles. Since 2000, U.S. soybean exports to China have doubled from 5million tons per year to 10 million in 2004. The figure for 2005 had already surpassed 15 million tons by end of summer with the peak export season yet to register.

How has the market reacted in 2005?

The freight markets peaked in mid December and 2005 has been a veritable roller coaster ride of unpredictability. A mild winter in Europe at end 2004 led to decreased steam coal shipments. China's rejection of Brazilian soybean exports took the market by surprise and the market ended 2004 with spot rates off about 25 percent.

January saw a slight rebound aided by strong demand for coal in the Pacific, which kept Australian ports highly congested and the premiums for trips to the east grew. Rates in the Atlantic however did not share the same benefits and the premiums between the Atlantic and Pacific markets grew. The markets continued volatile through February with Pacific Capesize rates hovering in the low 70K / day range and Panamaxes in the low 40's. Penalties for trading in the Atlantic were running at about $ 10 / 15000.00 per day.

The rebound was short-lived however. The economic slowdown measures introduced in China in 2004, together with news of import licensing restrictions finally resulted in a long awaited and necessary slowdown in iron ore imports. The temporary reduction in iron ore shipments was enough to ease some port congestion, not only in China but also temporarily in Brazil, Australia and India.

In March and April the markets reversed themselves, with rates for Capes in the Pacific dropping into the low 60's by mid March. The Atlantic market strengthened to low $40's, for Panamaxes. In April, renewed demand for ore from China drove the Capesize rates back up into the $ 80K / day range and rates for a trip out with ore exceeded $ 100 K / day. Owners remained extremely bullish.

Iron ore price increases of 70 percent, while much talked about, had little effect on exports and will hopefully provide the capital needed for expansion both in production and port facilities.

By the end of April, the markets had begun to fall. The number of newbuildings entering the market was beginning to take its toll. Chinese imports of Indian ore, a primary market for Panamaxes and Handies fell off significantly. While the fall was anticipated, the severity was not. The Baltic Dry Index fell almost 800 points in a month. Rates for Panamax round voyages fell to under $ 20,000 /day. The Capes were resistant, with rates staying in the 60 / 80 K /day range.

The Capes ability to resist eventually waned and the expression "the bigger they are, the harder they fall" comes to mind. By mid June average earning for Capes was down to $ 30 k / day. The slide continued through July and by early August levels were down in the low $ 20 K / day. Slowdowns in steel production in an effort to shore up steel prices have resulted in decreased demand for raw materials, as well as decreased shipment of finished products.

Panamax rates continued to free-fall with rates in the Atlantic dropping as low as $ 11000 /day for the first time in two years. The market was nervous. Pacific round voyages were going for just over $8000.00 /day while trips back from the Far East commanded only $ 7500.00. Freight rates for 150,000 tons ore from Tubarao to Rotterdam had fallen from US$ 25.00 / ton in November 2004 to $ 9.00 in July 2005. Richards Bay / Rotterdam coal cargoes went from $ 30.00 down to $ 9.00 and the ubiquitous Tub / China tumbled from highs of mid forties to $ 18.50/ ton. Rates on the infamous US Gulf / Japan grain route were off their all time highs of $ 80.00 and back down to early 2003 levels of low $ 30's. Grain from US Gulf to the Continent, having reached highs near $ 50.00 was having trouble securing $ 20.00. The markets were humbled.

Against all logic – in the midst of the summer doldrums, the market halted its slide in August. Perhaps it is not altogether against all logic. With rates back to previously seen levels, albeit not for two years, there was renewed interest in period activity which had been limited during the slide. Chinese imports of raw materials started to gain strength and the steel mills across the U.S. and Europe have managed to draw down their inventories to levels acceptable to Wall Street.

After the respite in early October due to holidays in China, the Capes came back in full force.

Timecharter rates for fronthaul trips climbed back up into the upper $70,000/day range although Pacific rates are still in the mid $ 40,000 /day range. The rate for Richards Bay/Rotterdam is just under $ 20.00 and Tub / China is trading in the mid $ 30's.

In the Panamax sector rates remain steady having climbed back up into the $30,000 / day range for trips to the east with round voyages hovering around the mid $20,000's.

The strength in the Capes is expected to buoy sentiment in all sectors. China's demand for ore continues unabated, steel production is once again breaking records. The end of the monsoon season in India has and should continue to result in increased exports. The impact of Hurricanes Katrina and Rita coming at the peak of the U.S. Soybean export season were much less than feared. A strong fourth quarter is expected.

International Association of Independent Tanker Owners
- FOR SAFE TRANSPORT, CLEANER SEAS AND FREE COMPETITION -

Report of INTERTANKO's Documentary Committee for FONASBA Annual Meeting – Tokyo October 2005

INTERTANKO's Documentary Committee under the chairmanship of Mr Arve Ustgård, Teekay Norway, seeks to promote balanced chartering terms and provide the Association's membership with advice and guidance on new clauses and terms as well as produce model clauses.

Recent INTERTANKO Clauses:

Bunker Emission Clause for time charters

1. Owners warrant that the vessel shall comply with the emission control and other requirements of Regulations 14 and 18 of MARPOL Annex VI and any other laws or regulations relating to bunker specification and bunkering procedures applicable in any areas to which the vessel is ordered.

2. Charterers warrant that they will supply bunkers:

a. of sufficient quantity and quality to enable the vessel to meet the emission control and other requirements of Regulations 14 and 18 of MARPOL Annex VI and any other laws or regulations relating to bunker specification and bunkering procedures applicable in any areas to which the vessel is ordered, and

b. in accordance with the specifications in the latest version of ISO 8217 as at the time of supply and any other specifications contained elsewhere in this charterparty.

3. Charterers further warrant that all bunker suppliers shall comply with the requirements of MARPOL Annex VI and MEPC96(47) in respect of sampling and the provision of a bunker delivery notes and, where bunkers are supplied in a state where MARPOL Annex VI is in force, that suppliers shall be registered in accordance therewith.

Commentary

This clause confirms that owners will meet the emission limits in MARPOL ANNEX VI and any similar laws or regulations. It also places an obligation on charterers to ensure that their suppliers provide bunkers which enable owners to comply with the emission controls. The suppliers must also meet the requirements laid down in Annex VI in relation to sampling and bunker delivery notes. Suppliers in states where Annex VI is in force must also be registered.

Many owners participate in fuel testing programmes and those owners who do so may wish to assume this obligation formally in the charterparty by adding a provision in the bunker clause that Owners further warrant that they shall throughout the currency of the charterparty participate in a fuel testing programme.

Marpol Annex VI clause for bunker supply contracts

1. Notwithstanding any other provision in the bunker supply agreement, the suppliers hereby warrant the following:
All bunkers supplied shall comply with the quality requirements of MARPOL Annex VI,
The vessel shall be provided with a delivery note in accordance with and containing the minimum information required by MARPOL Annex VI,
The vessel will be provided with a representative sample of the bunkers oil delivered in accordance with MARPOL Annex VI and the guidelines set out in MEPC96(47).

Comment

Both owners and time charterers depend on suppliers in order to comply with Annex VI. A Clause has therefore been provided for incorporation in bunker purchase contracts to ensure that the suppliers provide bunkers which meet the quality requirements set out Annex VI, follow the correct sampling procedures and supply a bunker delivery note in the correct form. This clause can be used by owners or time charterers.

In devising these clauses INTERTANKO has tried to take a balanced and practical approach which it hopes will be useful for owners and charterers alike.

Danish Straits Clause for Time Charters

Where the vessel is to pass through the entrances to the Baltic Sea the vessel shall comply with the recommendations set out in the IMO Resolution MSC.138(76) adopted on 5 December 2002 as amended from time to time including the use of pilots for the passage. Charterers shall reimburse owners for any pilotage expenses incurred by compliance with these recommendations.

Comment

This clause was devised in recognition that the IMO through its Resolution MSC.138(76) adopted on 5 December 2002 recommends the use of pilotage services when vessels transit the Danish Straits.

Danish Straits Clause for Voyage Charters

Where the vessel is to pass through the entrances to the Baltic Sea the vessel shall comply with the recommendations set out in the IMO Resolution MSC.138(76) adopted on 5 December 2002 as amended from time to time including the use of pilots for the passage. Charterers shall reimburse owners for any pilotage expenses incurred by compliance with these recommendations on any ballast passage to a port of loading and/or on the laden passage unless such expenses have already been taken into account in the freight payable in accordance with the terms and conditions of Worldscale.

INTERTANKO's list of model clauses includes: MSDS Clause, Agency Clause, Demurrage Payments Clause, Bunker Deviation Clause, Maritime Security Clause (for both voyage and time charters), Open Sea Berth Clause, Pumping, Quality Management, ROB, Turkish Straits and Vetting clauses. See www.intertanko.com for details

Recent Publications:

INTERTANKO's Documentary Committee is also charged with producing commentaries on new charterparty forms and practical guides on shipping documents, our two most recent publications are:

- Tanker Bills of Lading – A Practical Guide
- Commentary of Shellvoy 6

INTERTANKO's *A Guide to Tanker Charters* has become one of the industry's standard texts on the subject of tanker charterparties. To order visit. www.intertanko.com or contact publications@intertanko.com

Tanker Chartering Seminars

Each year INTERTANKO holds Tanker Chartering Seminars, these informative forums focus on topical issues in tanker chartering and discuss these through presentations and interactive mock arbitrations. The next in the series of these will be held in Singapore on 28 March 2006.

INTERTANKO's Annual Event for 2006 – The Tanker Event

We would also light to highlight our 2006 Tanker Event which will take place in Singapore from 29-3 March 2006. See www.intertanko.com for further details.

For further information or to raise any issues with INTERTANKO's Documentary Committee kindly contact:

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15th September,2005

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Japan Shipping Market and Japanese Shipowners

Driven by China's remarkable economic growth with new huge demand of iron ore, coal, crude oil and all other raw materials, the shipping market have boomed from 2003 and stayed on high levels through 2004, untill the first quarter of 2005.
On the bulkers, dry cargo market have dropped from the third quarter of 2005 due to China's adjustment of importing Iron Ores in beginning of this year .
From this September 2005,the market have bounced back with the view that the bottoms demand and supply is tightening and expecting that the market will pick up rather than slow down supported by China's growth and remarkable economic development of BRICs (Brazil, Russia, India).

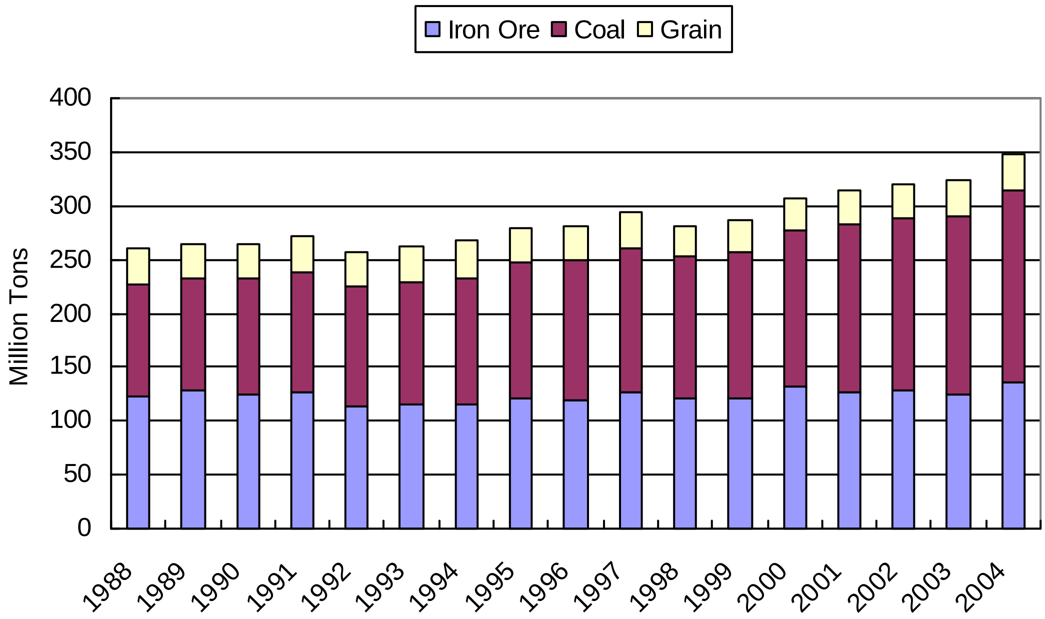
China's major seaborne import (thousands/tons)

Year	2002	2003	2004	Change % from 2002	2005(est)
Iron Ore	111,494	148,198	208,077	+86.6%	246,000
Coal	10,810	10,760	18,597	+72.0%	
Crude Oil	69,408	91,126	122,815	+76.9%	

Japan

Meantime, Japan depends heavily on importing energy resources and raw materials which the import volume has kept steady from 1980's to 2002. (as bellow graph)
However, supported by the world economy growth and the the domestic economy recovery, the import volume of Iron Ore and Coal is showing a steady increase.
The Iron Ore is supported by the steel production increase and the increase of Coal is steaming purpose.

3 Major Dry Cargoes Imported to Japan



Japan's major seaborne import (thousands/tons)
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Year	2002	2003	2004	Change % from 2002
Iron Ore	129,088	132,081	134,887	+4.5%
Coal	159,890	166,406	179,821	+12.5%
Crude Oil	235,503	248,311	244,682	+3.9%

Japan's Shipping Companies
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Supported by the global expansion of Shipping market, and also Japan's Shipping companies playing a major role in providing the stable transportation of goods from overseas ,the Japanese shipowners have expanded their fleet and activities from 2003.

Highlighting the top three Shipping companies in Japan ,namely Nippon Yusen Kaisha(NYK), Mitsui OSK Lines(MOL) and Kawasaki Kisen Kaisha(Kline), all posted an ordinary profit of more than Yen 100 billion (USD 1billon.) which MOL was the top earner with its ordinary profit Yen 175 billion in 2004 fiscal year.

From late 2003 to 2004 the big top three have respectively announced their 5years fleet build-up program which was close to 600 ships in total..

The investment in expanding fleets are in all sectors, Containers, Car carriers, Tankers, Gas carriers and Bulkers and the total investment will be more than Yen 2.5 trillion (USD23billion)

NYK is reported in 2004 that will spend Yen 975 billion (USD9billon) to procure 209 new buildings over five years from 2003 to 2007to expand fleet to 750 vessels, and further report in 2005 the entire fleet will expand to 880 ships by the end of 2010.
NYK's new business plan starting from 2005, places concentration on investments in growth areas such as transportation of natural resources/energy and total logistics service in well-combined and, sea and air transportation modes.

MOL, the top earner in 2004 ,have reported in 2003 investment of USD10billion for next 5 years close to 250 ships, which 75% of the total investment about 200 ships are in the field of Natural resources and Energy Transport such as Capeszie bulk carriers, Oil tankers and LNG Tankers.
The remaining 25% investments on vessels are Containerships and Car Carriers.
MOL operating Capesize fleet is 60 to 80 ships, and combining with KLINE 50 and NYK 40, the big three share of Capesize fleet is over 30% of the world fleet.

KLINE reported business plan in 2004 was investment of total USD7billion to procure over 180 new building ships 64 bulkers, 50 Energy Resources Transport ships, 28 containers and 30 car carriers targeting Global shipping company.

Reported by Japan Shipbrokers Association