

Analysis of Revenues and Expenditures of a Carrier for a Voyage Charter Trip

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Abstract

Private finance is financial relations which runs between autonomous individuals and legal entities other than the state or public institutions, all as subjects who are under commercial law. Creation and use of financial resources in this area takes place on the basis of revenue and expenditure drawn up and approved, under their own operation statutes approved and registered with state institutions, and the control over how their execution runs and is reported is also stated in the statute.

Key Words: private finance, revenue, expenses

JEL Classification: F65

1. Introduction

The decision to conduct an investigation in this sector was driven primarily by the great potential held by maritime transport in the national economy (Caraiani and Rusu, 2004). Romania presents an important maritime opening, and the advantages of this opening must be fully exploited. Constanta seaport has gradually managed to become one of the main distribution centers serving the region of Central and Eastern Europe (Topciu, 1981).

The main role of shipping is a liaison between production and consumption, the primary objective being to ensure a permanent flow of raw materials to productive industry and to move in good time the finished products to markets and consumers.

Maritime transport, by a close relationship with the shipbuilding industry, can have a multiplier effect in the economy, by entrainment related industries or economic sectors (Drehuta, 1997). Beyond this multiplier effect, the importance of maritime transport has also been recognized through the jobs they create and the important income brought to national budgets (Tulai, 1985).

Secondly, it took into account the crucial role played by maritime transport at community level, this mode of transport constitutes the main means of achieving imports and exports in U.E.. About 40% of imported goods and 70% of goods exported from the U.E. are transported by sea (Cristea, 2001).

2. Factors influencing the freight

- ✓ supply / demand balance;
- ✓ space allocated to transport, type of goods - there are many freight markets such as: coal haulage market, the market for timber transport, transport market of oil and oil products, grain transport market etc.;

- ✓ occupancy vessel capacity, degree of additional equipment, handling and shipping danger;
- ✓ vessel capacity (to double the capacity of a ship, the construction cost increases by 40% and the fuel by 35%);
- ✓ distance travelled in marching;
- ✓ ship classification [member of I.A.C.S-International Association of Classification Societies]
- ✓ ship's age-year of build
- ✓ cargo loading / unloading norms - as the cargo loading / unloading norms are higher, the freight rates are even smaller => small lay days;
- ✓ endowment degree of ports, simultaneously operating capacity and operating mode;
- ✓ level of fees for transit through the channels and straits;
- ✓ port charges (dues), usages fees paid by ship owners for temporary using of installations. Tolls - fees charged by the port administration. Usually the structure and the level of port taxes must be agreed with the state. After their destination, port charges can be grouped as follows: light dues; port dues; berthing, wharfage, quay, pier dues; anchorage fees; channel dues, etc.
- ✓ fuel prices;
- ✓ distance at which the ship is from the loading port;
- ✓ possibility of loading the cargo ship for return transport;
- ✓ socio-political situation in the area;
- ✓ geographical situation of the port - the risk of frost;
- ✓ calculation method of the lay days time, the rate of despatch / demurrage;
- ✓ freight payment date and currency of payment;
- ✓ method of freight (Brigham, Halpern, Weston, 1998).

3. Collecting the freight

It must be taken into account the following aspects regarding the necessary competence of the ship agent in respect of the calculation and payment of freight rates and its collection (Clarkson Research Studies, 2013):

1. ship agent analyzes the conditions of the freight contract:
 - The conditions of employment of the ship are properly identified and analyzed by their timely consultation in the freight contract. [charter party]
 - Goods documents are collected promptly, to determine the freight stipulated in the contract. [mates receipt, statement of facts, bill of lading]
2. Ship agent collects the freight (Sjostrom, 2010):
 - Establishing the owed freight and the dead freight is carried out in conjunction with the freight for each type of cargo loaded.
 - The equivalent of freight rates is calculated correctly taking into account the advances, deductions, payment arrangements and collections.
 - Freight collecting tracked consistently, until the liquidation of the debt.
 - The freights received are distributed to the owner timely, after commission deduction.

4. Analysis of revenues and expenditures of a transport for a fixed period

Theoretically, the start of operation of freight is the receipt by the broker of the demand for tonnage (1) (Eurostat data, 2009):

- Template document;
- Is an order issued by a company to hire ships on behalf and account of its freight mandate;
- Contains all the elements that must be taken into account, goods, quantity, loading port, rate of loading, the discharge rate, demurrage rate and how to regulate the payment, the date of availability of goods, the expiry date of the credit letter, who make the provision, references to transshipments, partial loads, loads on deck etc.

Market research (2) - The demand of tonnage offer (provided by broker), studying bids received contract of carriage.

Last act the broker prepares to fulfil his task is chartering notice (3) which he sends to the trader.

The broker task is deemed completed upon the receipt of charter mandate with the demand of tonnage. Usually the charter is standardized and specific to each flow of goods, during the negotiation discussions wearing only around main constituents or those printed clauses which a party wishes to amend or to abolish.

The UN Convention (Hamburg Rules) relating to transport by sea, defines sea transport contract as "any contract whereby the carrier undertakes, against payment of a freight, to carry goods by sea from one port to another." Its provisions shall not apply to charter Party contracts.

Generally it is used this type of contract, charter party, with the following clauses (Legal and Economic Analysis, 2012):

1. name of the vessel, main characteristics, useful capacity; [DWCC-dead weight cargo capacity]
2. data related to the period the voyage must begin, date on which it is estimated that the ship will arrive in the port of loading, the first day that lay days begin to run and the last day allowed for loading, as well as the duration of the voyage from the port of loading to the port of discharge;
3. how the endorsement is made on arrival in the port of loading;
4. commodity description;
5. The ports in which the vessel must operate, port of loading and port of the discharge;
6. freight, calculation, currency;
7. provided charter, how the loading / unloading costs are incurred;
8. rules for loading / unloading, the calculation of lay days, demurrage, rates of despatch; For lay days (laytime) - the maximum period during which the charterer must carry out the loading / unloading without any penalty from the shipowner. Demurrage - the immobilization of the ship for loading / unloading outside the agreed time of lay days. Demurrage value - is the amount of money paid by the charterer to shipowner (for super lay days the demurrage value is double). Despatch money - money that the charterer pays the shipowner for saved lay days. It is payable only if contracts (Ch / P) expressly stated so.[normally despatch rate is half of the demurrage rate]
9. detailing the responsibilities of the carrier and shipper concerning the cargo and related to the vessel damage (joint damage);
10. transport route;
11. Special clauses that must be included in the bills of lading, in their relation with Ch / P;
12. Clause of deviation from the normal route of transportation;
13. force majeure clause;
14. vessel situation at the time of hiring;
15. arbitration clause;
16. seaworthiness;
17. Ship class and flag of registry;
18. liability in case of cargo loading on deck.

Starting from this type of contract it is analysed the activity arising from itinerary fixing between two ports, the loading and the unloading of carried goods.

Vessel's name: M/V BLUE SKY (IMO NO. 7422049)

Port of loading CONSTANȚA / ROMANIA

Port of discharging LARYMNA/ GRECIA

Commodity type BULK IRON ORE , 3000 MT

Date: 10.06.2014

Before the ship accost to the operating berth in the port of Constanta, ship agencies prepare a pro forma DA (Disbursement Account), so that at the end, after the ship's departure and the receiving of all bills for services rendered to the ship, to draw the final DA.

Agent shall prepare proforma of the statement:

- Port dues are calculated depending on the type of stationing and operation of the ship.

- The cost of pilotage / towage for vessel maneuver is properly calculated, according to companies operating the mooring.
- All costs are estimated based on the ship stopover type.
- Pro forma statement shall be sent promptly for the agreement of the international shipping contract.

The expenses included in the statement are:

1. port charges	2 710,85 euro
2. port office fees	293,37 euro
3. pilotage/duties	100,00 euro
4. mooring, unmooring, tug	130,00 euro
5. agency tax	600,00 euro
6. telephone, fax	100,00 euro
7. transport	100,00 euro
8. bank commission	40,00 euro
9. diesel fuel	-
10. oil	-
11. healthcare	-
12. other expenses	-
13. Salport	11,00 euro
14. Trade Consal	36,00 euro
15. Club I.T.F. Seaman`s Club	40,00 euro
16. Radionav SA:	58,47 euro

TOTAL **4 219,69 EURO**
Exchange rate 1.3534 **5 675,59 \$**

In general, if favorable weather conditions, 3,000 mt scrap loads in three days. Thus, on the 13.06, in the evening, the cargo ship is loaded and ready to go to the unloading port of Larymna / Greece.

Here, agents from the port of unloading prepares the statement, before reaching the ship, and send it to the vessel owner for approval. Statement from Larymna would be as follows:

1. pilot duties	279,61 euro
2. port duties	39,83 euro
3. light duties	307,37 euro
4. mandatory tug	1 617,65 euro
5. customs	50,00 euro
6. mandatory fees for delivering garbage and scraps	275,00 euro
7. binding and untying service	50,00 euro
8. driver compensation	50,00 euro
9. miscellaneous expenses	100,00 euro
10. agency fee	1 800,00 euro

TOTAL **4 719,46 EURO**

The duration of Constanta - Larymna voyage is three days. The unloading time is two days. After the download is complete, the ship is available for other transport.

According to the contract, it can drawn up the freight bill for the above mentioned transport as follows:

Loaded MT 3000 X euro 10,00 PER MT	euro 40.000,00
Less:	
D/A to Constanța Port.....	euro 4 219,69
D/A to Larymna Port.....	euro 4 719,46
Comission 3,75%.....	.euro 1 500,00

TOTAL FREIGHT to the shipowner: euro 29 560,85

Of this total falls further the tax on the Bosphor channel crossing, worthing 500 euros, but this varies depending on the type and quantity of transported goods.

Total freight is 29 060.85 euros from one goods transport. But let`s assume that the company owns four vessels and a transport takes maximum 7-10 days depending on the destination.

Monthly, from freight are deducted the wages of crew members, on a boat being 10 members with a salary ranged from \$ 1,000 and going up to \$ 2,000 plus the provisions, technical aspects, repairs spare parts, lubricants etc.

5. Conclusions

Regarding the entry on the market of shipping, financial barriers are by far the highest, owing to financial investments very high for constructing or acquiring a ship, combined with the lack of concrete support from the authorities for those who want to enter in this market.

Another specific aspect of the Romanian market is the dependence of freights and tariffs at the Romanian seaports by external factors such as freight markets in the region and pricing policies adopted in the major shipping companies in the world, due to lack of a commercial competitive national fleet and implicitly a domestic freight markets.

The main role of shipping is a liaison between production and consumption, especially to ensure a permanent flow of raw materials to productive industry, and then timely move the finished products to markets and consumers.

Community-wide shipping have a particular importance, representing the main mode of transport by which the imports and exports in U.E. are made About 40% of the EU's internal trade and 70% of external trade is carried by sea.

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