

## **TRAMP SHIP**

A ship engaged in the tramp trade is one which does not have a fixed schedule or published ports of call. As opposed to freight liners, tramp ships trade on the spot market with no fixed schedule or itinerary/ports-of-call(s). A steamship engaged in the tramp trade is sometimes called a tramp steamer; the similar terms tramp freighter and tramper are also in use. Chartering is done globally but chiefly on London, New York, Singapore shipbroking exchanges. The Baltic Exchange serves as a type of stock market index for the trade. The term tramper is derived from the British meaning of "tramp" as itinerant beggar or vagrant; in this context it is first documented in the 1880s, along with "ocean tramp" at the time many sailing vessels engaged in irregular trade as well.

Tramp shipping are irregular shipping, mainly over nonstandard routes, with no definite schedule. Tramp ships are used to transport bulk cargoes and break-bulk cargoes of low value that do not require fast delivery. The transportation of cargoes that are picked up or dropped off along the way plays a large role in tramp shipping. Tramp ships are slow and can transport a variety of cargoes. Specialized types of dry-cargo, liquid-cargo, and mixed-cargo ships are also used in tramp shipping. Tramp shipping plays an important role in the foreign trade of the capitalist countries.

Today, the tramp trade includes all types of vessels, from bulk carriers to tankers. Each can be used for a specific market, or ships can be combined like the oil, bulk, ore carriers to accommodate many different markets depending where the ship is located and the supply and demand of the area. Tramp ships often carry with them their own gear (booms, cranes, derricks) in case the next port lacks the proper equipment for loading or discharging cargo.

Liner Service vs Tramp Service - Liner service is a service that operates within a schedule and has a fixed port rotation with published dates of calls at the advertised ports.. A liner service generally fulfills the schedule unless in cases where a call at one of the ports has been unduly delayed due to natural or man-made causes while a Tramp Service or trumper on the other hand is a ship that has no fixed routing or itinerary or schedule and is available at short notice or fixture to load any cargo from any port to any port.

Shipping industry can be divided into three broad segments, each of which handles a specific set of cargoes.

a. Bulk shipping; handles large cargo parcels in "bulk carriers" and oil tankers designed for the efficient transport of the very large parcels (10 to 450,000 tonnes) of homogeneous cargoes such as iron ore, coal, grain, oil etc.

b. Specialized shipping transports large quantities of "specialized" trades (e.g. chemicals, gas, motor vehicles, forest products), generally using ships built for the purpose. Although these ships are purpose built, they are often designed to allow the carriage of other cargoes. Specialized cargoes are often subject to competition from both the liner and bulk shipping segments.

c. Liner shipping; specializes in the transport of small cargo parcels, which do not fill the hold of a ship, on regular services. Today most liner cargo is carried in containerships, but some are still transported in multi-purpose vessels or ro-ros.

Tramp charters

The tramp ship is a contract carrier. Unlike a liner, often called a common carrier, which has a fixed schedule and a published tariff, the ideal tramp can carry anything anywhere, and freight rates are influenced by supply and demand. To generate business, a contract to lease the vessel known as a

charter party is drawn up between the ship owner and the charterer. There are three types of charters, voyage, time and demise.

#### Voyage charter

The voyage charter is the most common charter in tramp shipping, according to Schiels. The owner of the tramp is obligated to provide a seaworthy ship while the charterer is obligated to provide a full load of cargo. This type of charter is the most lucrative, but can be the riskiest due to lack of new charterers. During a voyage charter a part or all of a vessel is leased to the charterer for a voyage to a port or a set of different ports. There are two types of voyage charter – net form and gross form. Under the net form, the cargo a tramp ship carries is loaded, discharged, and trimmed at the charterer's expense. Under the gross form the expense of cargo loading, discharging and trimming is on the owner. The charterer is only responsible to provide the cargo at a specified port and to accept it at the destination port. Time becomes an issue in the voyage charter if the tramp ship is late in her schedule or loading or discharging are delayed. If a tramp ship is delayed the charterer pays demurrage, which is a penalty, to the ship owner. The number of days a tramp ship is chartered for is called lay days.

#### Time charter

In a time charter the owner provides a vessel that is fully manned and equipped. The owner provides the crew, but the crew takes orders from the charterer. The owner is also responsible for insuring the vessel, repairs the vessel may need, engine parts, and food for ships personnel. The charterer is responsible for everything else. The main advantage of the time charter is that it diverts the costs of running a ship to the charterer.

#### Demise charter

The demise charter is the least used in the tramp trade because it heavily favors the owner. The ship owner only provides a ship devoid of any crew, stores, or fuel. It is the Charterer's responsibility to provide everything the ship will need. The ship owner must provide a seaworthy vessel, but once the charterer accepts the vessel, the responsibility of seaworthiness is the charterer's. The charterer crews the vessel, but the owner can make recommendations. There are no standardized forms in a demise charter, contracts can vary greatly, and are written up to meet the needs of the charterer.

### Brokerage

Tramp ship owners and tramp ship charterers rely on brokers to find cargoes for their ships to carry. A broker understands international trade conditions, the movements of goods, market prices, and the availability of the owner's ships. The Baltic Exchange, in London, is the physical headquarters for tramp ship brokerage. The Baltic Exchange works like an organized market, and provides a meeting place for ship owners, brokers, and charterers. It also provides easy access to information on market fluctuations, and commodity prices to all the parties involved. Brokers can use it to quickly match a cargo to a ship or ship to a cargo depending on whom they are working for. A committee of owners, brokers, and charterers are elected to manage the exchange to ensure everyone's interests are represented. With the speed of today's communications the floor of the Baltic Exchange is not nearly as populated as it once was, but the information and networking the exchange provides is still an asset to the tramp trade.

Tramp shipping has relatively few barriers to entry. New investors require equity, but commercial shipping banks will provide loans to acceptable credits against a first mortgage on the ship. There is a comprehensive network of support services to which new investors can subcontract most business functions

subject to sound management controls. Ship management companies will manage the ships for a fee; chartering brokers arrange employment, collecting the revenues and dealing with claims; sale and purchase brokers will buy and sell ships; maritime lawyers and accountants undertake legal and administrative functions; classification societies and technical consultants provide technical support.

Fundamentally, the organization of a tramping company will be simpler than the organization of a liner company. The fact, that tramp ships are solely destined to transport bulk goods and that they are usually chartered as a whole in one harbour, allows the tramping company to operate without many departments and personnel. In the liner trade, a separate bill of lading has to be drawn up for each parcel. The number of bills of lading can be so great that the manifest that records them is often as thick as a book. Not only the paperwork requires a large number of personnel, but the carefully sorting, handling and stowage of encumbered general cargo parcels also needs many and competent staff members. This is superfluous for the tramping company or at least reduced to its minimum. In the tramping, the owner does not determine the freight but the fluctuations of the freight markets. More than in the liner trade, the tramp owner has to keep down expenses so as to ward off competition. Sometimes, the freight is so low that only the running costs are covered.

The organisation of a tramping company depends mainly on the number of ships it owns. The fewer ships, the simpler the organization. With only one ship, the company can be reduced to a one-man business.

Usually though, a tramping company with a reasonable number of ships, will have a similar organization as the one of a liner company. There will also be operating, technical, administrative and financial divisions, however with strongly reduced personnel. Some departments such as the "Research and Development Department" and the "Conference Department" are totally

absent in a tramping company. The operating department and in particular the department for inward and outward freights, cargo handling and stowage, insurance and claims, and agencies will be far less important. This is because the goods being carried are mainly homogeneous which are cheaper and are less prone to damage.

On the other hand, the chartering department will be much more extensive than in the liner trade because it is the main activity of tramping. The personnel of this department must consequently be much more qualified, with a number of experts for certain kinds of goods such as coal, ore, grain, and others. They must be in continuous communication – by telex, fax, telephone, data transmission, e-mail – with brokers and shipping exchanges and be well informed about the freight markets and freight prices.

In the smaller tramping companies, the business division is often left in the care of specialized firms such as shipping operators, shipping managers or managing companies.

Often, tramping companies maintain a strong relationship with large industries to whom they will let part of their fleet or even their whole fleet for a long period of time. In that case, the organization of the company will be still more simplified.

In tramp shipping, tramp ships are being used. As the name indicates, this branch of the shipping industry is very irregular in its activities. Tramp ships are sent in where the most paying freights are available. Therefore, tramping is very unstable and very little organised.

Tramp ships are, in accordance with the demand, contractually put at the disposal of charterers, to carry, for one or more voyages, a quantity of goods between named harbours (in voyage charter) or to carry out a number of transport assignments in a certain period of time (in time charter). In the broadest sense of the word, tramp shipping is the activity that is done with

ships in voyage charter. Usually, under a charter agreement, they have to perform only one voyage so that each voyage stands completely apart from the other. The vessel is an independent operating and competing unit and its operation is highly individual. The sailing schedule of a tramp ship is consequently very irregular. The ship operator must see to it that his ship is rarely idle and in the port of discharge – or in a harbour as close as possible to the port of discharge – he must always try to get a new charter for the ship.

Tramp ships vary considerably in size and are sometimes of lesser quality than the liner ships. Because the cargoes usually don't have to be transported at a high speed and the ship doesn't need highly sophisticated equipment, tramp ships are relatively slow and cheap. However, the present-day tramp fleet counts numerous modern bulk carriers suitable for different sorts of cargoes, including tankers and specialized ships. Owners of modern and cost-effective tramp ships have a better chance than their competitors who offer inferior and less flexibility in the freight market.

The cargo consist of unpackaged bulk goods (ore, coal, grain, phosphates, and others) or a massive amount of general cargo (e.g. saw wood) or seasonal products; with preferably a full cargo which belong to one shipper. No special care is given to manipulation and stowage; speed of delivery is not of primary importance.

Compared with the liner trade, the freight is low and is consequently in accordance with the relative low value of the goods. The freight is established on the international freight market, in the accordance with the rules of offer and demand. The Baltic Exchange in London is the main market. The freights are not fixed because they follow the feverish fluctuations of the freight markets.