



St. Marry University

Department of Marketing Management

**Assessment of Ship Chartering Practice and Challenge: The Case of
Ethiopian Shipping Logistic Enterprise**

**A Thesis submitted to the St. Marry University, Partial Fulfillment of the
requirements for the Degree of Masters of Marketing Management**

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Declaration

I Simegn Tassew, , do here by declared that this thesis is my original work and that is has not been submitted partially, or in fully, by any other person for an award of degree in any other university/institution.

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St. Marry University
DEPARTMENT OF Marketing Management

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LIST OF ACRONYMS

CoA :	Contract of Affreightment
CI&F:	Cost, Insurance and Freight
EABC :	Ethiopian Agriculture Business Corporation
EPE:	Ethiopian Petroleum Enterprise
ESLSE:	Ethiopian Shipping and Logistics Service Enterprise
NOC:	National oil Ethiopia
FOB:	Freight on Board
MV	Motor Vessel
MT:	motor tanker
ITM :	International Tankers Management

ABSTRACT

The main objective of the study was to assess the ship chartering practices and challenges in Ethiopia Shipping and Logistics Services Enterprise. Descriptive research design was used to describe the current situation of the study area, and qualitative method was used to collect the primary data gathered through in depth interview and secondary data documents has taken from annual reports of the enterprise. The target population covered both the internal and external customers and they were selected by using expert purposive sampling method. Next to that, the demographic data were analyzed using STATA software and also the secondary and interview data were used qualitative data analysis. The result indicated that, there are three types of chartering practicing in Ethiopian Shipping and Logistics Service Enterprise such as voyage charter, time charter and the contract of affreightment. The main reasons, ESLSE to chartered vessels are because of cargo load capacity, specialization of vessels, unaffordability of ports, limited number of vessels, cargos available in ports, low liner cargo demand and not to being vessels idle. Due to having good vessel schedule with the voyage planning, provision of affordable freight rate, having better knowledge about the shipping terms and conditions, good communication, availability of international cargo suppliers and government support most of the trends of bulk cargos shipped in Ethiopia were being showed progress from year to year. On the other hand, the bad weather condition, port/birth congestion, international freight rate fluctuation, weak ICT infrastructural development, fluctuation of cargo demand and supply, taking long time in decision making and cargo/vessel delay are found to be among the most critical challenges of ship chartering in ESLSE.

Key words: Ship Chartering Practices, Chartering Challenges, Ethiopian Shipping and Logistics Service Enterprise.

CHAPTER ONE

1. INTRODUCTION

Background of the study, statement of the problem, research questions, general and specific objectives, scope of the study, significance of the study & organization of the study are presented in this chapter.

1.1. Background of the Study

Chartering is the part of international shipping business which broadly deals with the proper matching of cargoes' transport needs and vessels' commercial trading. Wilson, J (2010) defines A "charter" is the agreement for commercial employment of a ship. It is contracted between two involved parties, the "ship-owner" and the "charterer", the former representing the ship's interests and the latter using the ship's services either for a specific cargo voyage or for a period of time. In exchange for that, the charterer undertakes to pay a financial compensation called "freight" or "hire" in accordance with the selected type of charter, trading.

The Chartering market is entirely dependent on the agency contract and negotiation capacity of principals and their agents influenced by forces of demand supply. The latter is not influenced by the Sale of goods contract since the owners and charters in the charting market has neither intention what so ever for outright sale or outright purchase of the vessel involved. In recent time however demand for outright purchase and ownership of vessels by states and business organization has equally declined and continues to decline due to majorly poor or lack of access to ship acquisition credits and fund, poor professional ship management know how and the desire to specialize solely in a particular line of trade rather than ownership and management of ships which in itself is a very complex exercise requiring professional knowledge (Jie, 2001)

The shipping industry plays an important role in the world economy and more specifically in the world trade since approximately 90% of the world trade is carried at water borne trade (UNCTAD, 2015). Each commodity being transporter has been spoke characteristics and requires a specific type of vessel to be transported around the world. This implies that there is a large market for overseas transportation and subsequently many shipping companies(operators). The shipping companies can be distinguished into three groups based on their mode of operation: liner, tramp and industrial (Lawrence, 1972).

All shipping enterprises have limited capabilities concerning the means, the resources and the management abilities for their ships. This means that it is impossible to exploit all the chances of the shipping market with equal effectiveness. The matching of the shipping enterprise capabilities with the needs and the desires of its clients is fundamental for the provision of the desired transport services, the satisfaction and retention of charterers and thus the commercial success of the enterprise. The shipping company must organize its resources in such a manner as to be able to apply the marketing process' stages and to achieve a long-lasting and more effective commercial operation of its ships. The application of marketing presupposes correct diagnosis, planning, organization, implementation and control of marketing effort. (Goulielmos a.2001)

Since the mid-1960s, two dramatic developments in the economic organization of the shipping business unitization and ship chartering have played a major part in opening up a truly global market for both manufactures and raw materials. The chartering revolution was no less wide ranging in its effects. Bulk transport of raw materials by sea was, for the first time, viewed as part of an integrated materials handling operation in which investment could improve productivity. By employing economies of scale, investing in high speed cargo handling systems and integrating the whole transport systems, bulk transport costs were reduced to such an extent that it is often cheaper for industries to import raw materials by sea from suppliers thousands of miles away than by land from suppliers only a few hundred miles away (Stopford, 2009).

Today, ESLSE is giving chartering services to charter out by using their own fleets, to charter in by using the slot vessels and the oil tankers are charterere.d out for transporting the bulk cargos from different shipping companies throughout the world. For instance, the ESLSE transported 6,694,571.86 tons of import cargos in 2020 by slot, own and chartered vessels, out of this imported cargo 47.2% is through chartered vessels (ESLSE, 2020). However, during the ship chartering process, there are problems such as internet interruption, high international freight rate, having skill gap on the charter party, shortage of supply and demand, decision making problems, unable to close demurrages and dispatch due to lay time and so on. In order to solve these problems, the researcher is highly motivated to assess the current ship chartering practices and challenges in Ethiopian Shipping and Logistics Service Enterprise. The importance of the

study is to finding out the main challenges that hindered the ship chartering process and to recommend solutions that can enhance the service capacity.

Various international researches have been conducted on ship chartering services and in Ethiopia context; the researchers are mainly focused on assessment of logistics, multimodal and unimodal transport services rather than ship chartering services. Hence, the research gaps are stated as follows:-

According to Theophilus, Nwokedi et al. (2018) on assessment of shippers and ship owners' ship and charter party type choices in the wet and dry bulk, the research student observed the gaps from the finding above are, there is high preference of Supra max vessel type than others why? There may be various reasons among which technical performance, cargo load capacity, and geographical location, existence of appropriate voyage planning and reputation of the vessel.

According to Plomaritou, (2016) review about the commercial risks arising from chartering has a gap, the review is not specific in particular topic and shipping company, rather the author tried to review the commercial risks that faced in the world. Therefore, in this research mainly focused on assessing the ship chartering practices and challenges particularly in Ethiopia Shipping and Logistics Service Enterprise. ()

1.2 Background of the organization

This study was conducted on Ethiopian Shipping & Logistics Service Enterprise to assess the overall. Ethiopian Shipping & Logistics Services Enterprise(ESLSE) , an amalgamation of former, Ethiopian Shipping line S.C. Maritime and Transit Services Enterprise , Dry port Services Enterprise and Comet Transport S.C with more than five decades of decades of dedicated maritime and logistics transport service, has been serving Ethiopian economy in the development of import & export cargo (international trade) since the 1950's. Since its establishment, the enterprise is working in a competing environment with global carriers. By accomplishing this, it has maintained remarkable trade share in the import trade even though it has low trade share in the export trade so far.

The vision of ESLSE is by providing competitive shipping & logistics services, to become preferred and renowned African logistics company by 2025. Comply with its vision ESLSE

stated that the following mission statement:- through building and upgrading organizational capacity; to render world class and competitive shipping & logistics services; thereby contributing towards the rapid economic growth of the country. To achieve these missions, Ethiopian Shipping and Logistics Services Enterprise strive to perform the following activities: receiving and delivering cargoes; cargo loading and; stuffing and un-stuffing of container goods temporary storage for import and export cargoes; container cleaning and maintaining, Custom control and clearance and banking and insurance.

Hence the study will be focused on Ship Chartering Practice and Challenges of Ethiopian Shipping & Logistics Services Enterprise which is found in Addis Ababa Kirkos Sub-city.

1.3 Statement of the problem

The economic environment in which the shipping industry operates is characterized by high Cyclical, volatility and unpredictability. (Evi Plomaritou and Anthony Papadopoulos 2018). The market has a high risk profile. The international events (political, economic, technological, social etc.) affect significantly the freight levels and consequently the contractual relationships of ship owners and charterers. The industry is becoming ever more regulated, particularly in areas of safety and pollution. Liability regimes for sea carriers have become more rigorous. As a result, ship owners and charterers face increased exposure to ship chartering challenges. In certain circumstances, these challenges are large enough to undermine or destroy the financial base of ship owners and charterers. Successful commercial decisions, chartering policies, management and marketing strategies assist the parties to limit or even to avoid some of the challenges (Plomaritou, and Giziakis., 2011). In addition, an increasing number of ship owners and charterers recognize the need to take out insurance protection.

According to Plomaritu, (2008), emphasized on the external factors caused by physical causes and social forces, which affect positively or negatively the charterer's and ship owner's chartering policy, the level of risks that arise and the capacity of the parties to fulfill their responsibilities. Successful commercial decisions and clarity of contracts assist the parties to limit the challenges includes physical, political, technological, technical and economic events.

Ethiopian Shipping and Logistics Service Enterprise is the only dominant enterprise in Ethiopia which is providing sea transport services (liner and tramp services), shore handling service, multimodal transport service, unimodal transport service, customs and port clearing, trucking, loaded and unloaded; customs formalities, stored, stuffed and un-stuffed and have other duties. The achievement of these broad activities offered by Ethiopian Shipping and Logistics is very Crucial for its survival and to make profitability.

Due to the rapid growth of Ethiopia economy and the globalization of the world the amount and the types of bulk cargos deliver to Ethiopia are increasing through time, then the enterprise was started ship chartering services after it's merged in 2011 in formal business under commercial department (ESLSE, 2012).

The ship chartering of ESLSE gives various charter services among these are: - voyage charter (charter in and out), contract of affreightment and time charter out (hire tankers) to ship the bulk cargos such as coal, fertilizer, wheat, sugar and steel including the tankers. However, during the 11 years government economic plan to privatize state owned enterprise such as ESLSE in this study try to identify major challenges to address in ESLSE particularly ship chartering & marketing practice and its importance in the major import shipments of the country.

Therefore, to solve these challenges, policy shifts of government the research study should answer the following research

questions:-

- 1) How ESLSE is analyzed the cargo status of ship chartering within the last 11 years?
- 2) What are the current ships chartering practices being operated in ESLSE?
- 3) What are the challenges that affect the chartering operation in ESLSE?

1.4 Research Question

1. How ESLSE analyze the cargo status of ship chartering within the last 11 years ?
2. What are the current ships chartering practices being operated in ESLSE?
3. What are the challenges that affect the chartering operation in ESLSE?

1.5 General Objectives

The general objectives of this study is to assess the ship chartering practice and market trends of Ethiopian Shipping and Logistics Service Enterprise.

1.6 Specific Objectives

- 1 To find out the trend of bulk cargo shipment status of ship chartering within the last 11 years in ESLSE
- 2 To describe the current ship chartering practices being operated in ESLSE.
- 3 To identify the challenges the challenges those affect the ship chartering operation in ESLSE

1.7 Significance of the study

This study will have a great contribution for the development of efficient and effective ship chartering system in ESLSE.in addition to that it will gives insights for further research ,policy and investment decisions. This study will identify the problems and challenges in ship chartering operation & market trends forwarded suitable remedial actions in order to alleviate the problems. The outcome of this research project will hopefully provide substantial information to Ethiopian shipping and logistics service Enterprise to alleviate the existing problems.

In addition, the finding will help others stakeholders and academicians who have an interest to assesses others area of shipping industry challenges.

1.8 Scope of the study

The study focused mainly on the fundamentals of chartering; namely the vessels, the cargoes, the geography and the types of charter, showing how they are placed in the international transport scene to form crucial charter market segments. In respect of the cargoes, emphasis is given on cargo groups schemed according to their physical attributes, handling requirements, types of transport, loading factors etc.

Concerning the vessels, analysis examines the various types and sub-segments structured, according to their size and characteristics, cargoes carried, commercial trades and market elements seen from a chartering viewpoint. The last but no less important aspect of charter market analysis concerns the financial element, namely the freight rates. that will have an impact ship chartering operations and market trends.

Since ESLSE is the main shipping and logistics company of the country in terms of brand, monopoly and its market share the study was delimited to ship chartering operations and market trend issues will address in this study. It is not the intention of this paper to study the general ship chartering operations and market trends. Rather it focuses on the challenges faced on ESLSE ship chartering operations and market trends.

1.9 Limitation of the study

This research has certain imitation such as insufficient research documents related to the subject matter. The sample size was constrained to only on chartering and marketing division specific to ship chartering practice and its market trend. That is voyage charter, voyage charter out, contract affreightment and time charter out. The data were collected from the concerned external customers, employees, managers and directors. The researcher relied on in depth interview of key informants, desk review and group discussion of employees

1.10 Definition of Key terms

- A “*charter*” is the agreement for commercial employment of a ship. It is contracted between two involved parties, the “*ship-owner*” and the “*charterer*”, the former representing the ship’s interests and the latter using the ship’s services either for a specific cargo voyage or for a period of time (Wilson ,2010).
- **Shipper** Individual or company with cargo to transport. (Wilson, 2010)
- **Charterer** Individual or company who hires a ship. (Wilson, 2010)
- A *voyage or spot charter* concerns the case where a vessel is chartered for a single voyage between certain ports. (Cooke, elt. 2014).

- **Consecutive voyage charters** are special variations of voyage charters in which the vessel is contracted for several voyages which follow consecutively upon one another (www. shipinspection.eu, 2017)
- **Contract of affreightment (COA)** a medium to long- term, hybrid type of charter and the ship owner undertakes to serve charterer's needs by carrying specific quantities of homogeneous cargo, at specific dates of shipments and within an agreed period of time in specific voyages, with no named ship (Gorton, and Ihre, 1990).
- **Period charter** The vessels is hired for a specified period of time for payment of a daily, monthly or annual fee. There are three types, time charter, trip charter and consecutive voyage charter.
- **Time charter** Ship earns hire, monthly or semi-monthly. The ship owner retains possession and mans and operates ship under instructions from charterer who pays voyage costs (Wilson, 2010).
- **Bare boats charter** The owner of the ship contracts (for a fee, usually long-term) to another party for its operation. The ship is then operated by the second party as if he owned it (Wilson, 2010).
- **Lay time** the period of time agreed between the party to a voyage charter during which the owner will make ship available for loading/discharging of cargo (Wood, 2000).
- **Chartering** is the part of international shipping business which broadly deals with the proper matching of cargoes' transport needs and vessels' commercial trading (Wilson, 2010).
- **Ship broking** is the act and the mediating profession which facilitates the business contacts between ship owners and charterers in order vessel charters to be fixed (Stopford, 2009).
- **A charter party** is a written charter agreement or, in other words, the contract of carriage whereby a Ship owner or a deponents owner of a vessel agrees to place his ship, or part of it, at the disposal of a merchant/cargo owner (or a person who acts on behalf of a merchant) known as charterer, for the carriage of goods by sea from one port to another port on being paid freight, or to let his ship for a specified period, his remuneration being known as hire (Giziakis, and Plomaritou .2010).

- Fixture Note: signed by both parties is essentially a simple chartering contract performed by both parties. After signing the **fixture note**, the ship owner compiles the formal chartering contract according to the agreed contents, and sends it to the lessee for examination and verification through the chartering agent. (Giziakis, and Plomaritou 2010)

1.11 Organization of the Study

This paper was organized into five chapters. The first chapter provides introduction, Background of the study, statement of the problem, research question as well as objectives, significance, scope and limitation of the study. In the second chapter the relevant literature that support the study were reviewed. The third chapter is about research methodology. Chapter four dealt with a data presentation, analysis and interpretation; finally, summary, conclusion and recommendations were discussed in chapter five.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 INTRODUCTION

In this section the theoretical, empirical literature & conceptual frame work that are related with the study area by focusing on ship chartering practice and challenge discussed. Ship chartering has been discussed by concepts and definition, chartering type, chartering policy, challenges ship chartering practice, commercial risk, chartering procedure, best practices of ship chartering in the world. Finally the conceptual frame work drawn from the literature.

2.2 Theoretical Review

2.2.1 Chartering Concept

Chartering is a part of commercial management of ships, which, however, cannot exist by itself. The operative force is always a sales contract of goods and subsequently the need for sea transport. First, there is a sale/ purchase of merchandise; second, a need for sea transport; and third, a need for chartering a vessel.

The fundamentals of chartering; namely the vessels, the cargoes, the geography and the types of charter, showing how they are placed in the international transport scene to form crucial charter market segments (Wilson, 2010).

In respect of the cargoes, emphasis is given on cargo groups schemed according to their physical attributes, handling requirements, types of transport, loading factors etc. Concerning the vessels, analysis examines the various types and sub- segments structured, according to their size and characteristics, cargoes carried, commercial trades and market elements seen from a chartering viewpoint.

2.2.2 Chartering Types

The charter types influence considerably the revenue side, the cost structure, the risks undertaken, thus the profitability of a shipping company. Understanding the mechanisms behind the vessels' charter types is a key aspect in the commercial management of ships and for ship management in general. Emphasis is placed on the most popular types of vessels' charter are as follows:-

2.2.2.1 Voyage Charter

Under this type of charter a vessel is employed for a single voyage. The person who charters the ship is known as a **voyage charterer**, the payment is called **freight** and the contract a **voyage charter party**. This form of charter is typical within bulk/tramp trading (open charter market). The “charterer” may be the person owning the cargo or may charter the vessel for someone else’s account. The “ship owner” of a voyage charter party, from whom the actual voyage charterer charters the ship, may himself be a time charterer or even a voyage charterer who sub-charters (sub-lets) the ship (Plomaritu and Papadopoulos., 2018).

A voyage charter provides transport for a specific cargo from port A to port B for a fixed price per ton. For example, a grain trader may have 25,000 tons of grain to transport from Port Cartier in Canada to Tilbury in the UK. So what does he do? He calls his broker and tells him that he needs transport for the cargo. The broker will ‘fix’ (i.e. charter) a ship for the voyage at a negotiated freight rate per ton of cargo, e.g. \$5.20. The terms will be set out in a charter-party and, if all goes well, the ship arrives on the due date, loads the cargo, transports it to Tilbury, discharges and the transaction is complete.

If the voyage is not completed within the terms of charter-party then there will be a claim. For example, if lay time (i.e. port time) at Tilbury is specified at seven days and the time counted in port is ten days, the owner submits a claim for three days *demurrage* to the charterer. Conversely, if the ship spends only five days in port, the charterer will submit a claim for two days *dispatch* to the owner. The rates for demurrage and dispatch are stated in dollars per day in the charter party. The calculation of demurrage and dispatch does not normally present problems, but cases do arise where the charterer disputes the owner’s right to demurrage (*Stopford, 2009*).

2.2.2.2 Time Charter

A time charter gives the charterer operational control of the ships carrying his cargo, while leaving ownership and management of the vessel in the hands of the ship owner. The length of the charter may be the time taken to complete a single voyage (trip charter) or a period of months or years (period charter). When on charter, the ship owner continues to pay the operating costs of the vessel (i.e. the crew, maintenance and repair), but the charterer directs the commercial operations of the vessel and pays all voyage expenses (i.e. bunkers, port charges and canal dues) and cargo handling costs. With a time charter, the ship owner has a clear basis for preparing the

ship budget, since he knows the ship operating costs from experience and is in receipt of a fixed daily or monthly charter rate (e.g. \$5,000 per day). Often the ship owner will use a long time charter from a major corporation such as a steel mill or an oil company, as security for a loan to purchase the ship needed for the trade (*Stopford, 2009*). Although simple in principle, in practice time charters are complex and involve risks for both parties. Details of the contractual agreement are set out in the 'charter party' The ship owner must state the vessel's speed, fuel consumption and cargo capacity. The terms of hire will be adjusted if the ship does not perform to these standards. The charter-party will also set out the conditions under which the vessel is regarded as 'off hire', for example during emergency repairs, when the charterer does not pay the charter hire. Long time charters also deal with such matters as the adjustment to the hire charge in the event of the vessel being laid up, and will set out certain conditions under which the charterer is entitled to terminate the arrangement, for example if the owner fails to run the ship efficiently.

2.2.2.3 Bareboat Charter

A bareboat or demise charter is a quite different form. This contract resembles a lease of the ship from the owner to the charterer. The bareboat charter usually means that the vessel is put at the disposal of the charterer without any crew. The charterer will thus take over almost all of the owner's operational and managerial functions, except for the payment of capital costs. This means that the charterer will have the commercial as well as the operational responsibility for the vessel, paying for crewing, maintenance and repair, insurance etc. (Plomaritu. and Papadopoulos. 2018).

Finally, if a company wishes to have full operational control of the ship, but does not wish to own it, a bare boat charter is arranged. Under this arrangement the investor, not necessarily a professional ship owner, purchases the vessel and hands it over to the charterer for a specified period, usually ten to twenty years. The charterer manages the vessel and pays all operating and voyage costs. The owner, who is often a financial institution such as a life insurance company, is not active in the operation of a vessel and does not require any specific maritime skills. It is just an investment. The advantages are that the shipping company does not tie up its capital and the nominal owner of the ship may obtain a tax benefit (*Stopford, 2009*).

2.2.2.4 The Contract of Affreightment

A contract of affreightment (CoA) is also a hybrid charter borrowing characteristics from a voyage and a time charter. It is often called quantity contract or volume contract, because under a CoA the owner promises to satisfy the charterer's need for transport capacity over a certain period of time, often one year or even several years (Plomaritu. and Papadopoulos. 2018). It is not unusual that quantity contracts are made up within the framework of liner operations. Under a quantity contract the individual vessel has less importance for the charterer, but the important aspect is that the owner shall perform his duty to carry with an agreed type of tonnage, namely a vessel of agreed specifications which may very well be a chartered vessel from another owner or operator.

A similar contract form is the so-called requirement contract or service contract. Under such agreements, the quantity of cargo to be carried is not guaranteed by the charterers or the shippers and the owners will place tonnage as and when required according to a notice and nomination system.

The Contract of Affreightment (COA) is a little more complicated. The ship owner agrees to carry a series of cargo parcels for a fixed price per ton. For example, the shipper may have a contract to supply ten consignments of 50,000 tons of coal from Colombia to Rotterdam at two-monthly intervals. He would like to arrange for the shipment in a single contract at an agreed price per ton and leave the details of each voyage to the ship owner. This allows the ship owner to plan the use of his ships in the most efficient manner. He can switch cargo between vessels to give the best possible operating pattern and consequently a lower charter rate. He may also be able to arrange backhaul cargoes which improve the utilization of the ship (*Stopford, 2009*).

2.2.2.5 Consecutive Voyage Charter

Consecutive voyage charters are special variations of voyage charters in which the vessel is contracted for several voyages which follow consecutively upon one another. Sometimes, the charter party states that the ship will make a certain number of consecutive voyages and sometimes that she will make as many voyages as she may perform during a certain period of time. In the latter case, the parties have agreed, as in time charter or a CoA that the vessel will be at the disposal of the charterer for a certain period of time. Therefore, as a consecutive voyage charter contains both voyage and time charter elements, it is considered a hybrid charter form.

The individual voyages are made on voyage charter terms and conditions, with the freight typically being paid per voyage in USD per ton of cargo carried, a lay time calculation in ports of loading and discharge respectively, etc. This means that the risk and cost distribution of a charterer in a consecutive voyage charter is very different from that of a time or a CoA charterer basically, the problems arising under agreements for consecutive voyages are those of voyage charters, but the time factor causes certain structural differences, both related to costs and income aspects. Consecutive voyage charter parties often contain provisions protecting the owners' interests, such as bunker clauses, escalation clauses, currency clauses or certain other clauses related to long-term cost variations.

This charter type is common where large volumes of cargo are concerned, but while this method lacks the flexibility of the CoA (where not a named ship but any ship of agreed specifications may execute the voyages), the freight rates may be possibly higher here to take into account the ballast, non-earning, return voyage from discharge port to load port.

2.2.3 Forms of Charter Party

A **charter party** is a written charter agreement or, in other words, the contract of carriage whereby a Ship owner or a deponents owner of a vessel agrees to place his ship, or part of it, at the disposal of a merchant/cargo owner (or a person who acts on behalf of a merchant) known as charterer, for the carriage of goods by sea from one port to another port on being paid freight, or to let his ship for a specified period, his remuneration being known as hire.

Charter parties fall into categories in respect to the types of charter or cargoes carried. More specifically, the main categories of charter parties are the following (Giziakis,, Papadopoulos, and Plomaritou, 2010):

- 1. Voyage charter parties** where the charterer employs the vessel for a specific voyage or voyages. An example of a voyage charter party which is used for the carriage of dry bulk cargo is the Gencon 94 charter party while an example of a voyage charter party which is used for the carriage of liquid bulk cargo is the Tanker voyage.
- 2. Time charter parties** where the charterer has the use of the ship for a specific trip or most commonly for a period of time. An example of a time charter party which is widely used in the dry bulk market is the NYPE '93 charter party while an example of a time charter party which is used in the tanker market is the Inter tank time.

3. **Contract of Affreightment (CoA)** where a ship-owner agrees to carry a series of cargo parcels for fixed price per ton, while the ship-owner covers all the costs.
4. **Bare Boat Charter** that allows a shipping company to have full operational control over the ship without owning it.

2.4. C.hartering Policy of Charterers and Shippers

In bulk markets a charterer decides to work with a ship owner after considering a series of selection criteria. Thus, the charterer's requirements and the determinants of his decision-making process play a decisive role in the formation of charterer's chartering policy.

A similar process is followed by a shipper in the liner market when selecting a carrier to work with. The following sections present the chartering policy of charterers and shippers in bulk.

2.3.1 Charterers' requirements in the liquid bulk (tanker) market

In the tanker market seven categories of criteria have been recognized as playing a critical role in the charterer's selection process of a ship owner. These criteria represent the requirements of charterers in liquid bulk (tanker) markets and are classified in order of importance as follows (Plomaritou, 2008):-

1. Compliance of shipping company with the international regulations for safety management.
2. Reputation and image of the ship owner in the shipping market.
3. Low cost sea transport operations.
4. Appropriate (fair and unselfish) chartering negotiating process.
5. Provision of high quality transport services.
6. Maintenance of good relationships with charterer.
7. System of informing the client–charterer.

2.3.2 Charterers' requirements in the dry bulk market

Dry bulk ships operating in the spot market must satisfy the charterers' needs concerning the vessel type and size, while also providing sea transport at a low cost. Over the 20th century, improved efficiency, bigger ships and more effective organization of the shipping operation brought about a steady reduction in transport costs combined with a higher quality of service. The vessel must be available to the charterer at the right position (area, port or dock), at the right

time and at a competitive freight rate compared to what other interested parties may offer and what currently prevails in the present market (Plomaritou, 2008).

Although a charterer's selection criteria when choosing a ship owner in the dry bulk market are similar to those in the tanker market, the order of importance is different. In the dry bulk market the criteria which play a decisive role in the selection process of a ship owner by the charterer are classified in order of importance as follows:

1. Low cost sea transport operations.
2. Appropriate (fair and unselfish) chartering negotiating process.
3. Compliance of shipping company with the international regulations for safety management.
4. Reputation and image of the ship owner in the shipping market.
5. Provision of high quality transport services.
6. Maintenance of good relationship with charterer.
7. System of informing the client – charterer.

From this analysis, it arises that the charterers' requirements in the dry bulk market and therefore their chartering policy are cost-oriented.

2.3.3 Decision- making process and buying behavior of charterers and shippers

The decision- making process of the charterer (in bulk market) and shipper (in liner market) is a sequence of thinking, evaluating and finally deciding. This process helps a shipping company (bulk or liner) to structure its approach and form its chartering policy and marketing strategy accordingly (Plomaritou, 2008). More specifically, the basic stages of the charterer's or shipper's decision- making process are the following:

- 1) **The pre- purchase choice among alternatives** during the pre- fixture stage (in bulk market) or pre- booking stage (in liner market).

This stage refers to all charterer's or shipper's activities occurring before the acquisition of the transport service, in other words before the fixture of the charter in the case of bulk market or before the booking of space onboard in the case of liner market. This stage begins when the contract of sale of goods is signed and the cargo has to be carried from the port of origin to the port of destination.

2) **The charterer's or shipper's behavior during the carriage of goods.**

Charterers and shippers have expectations about the performance of the chartered vessel. The vessel must execute the voyage as quickly as possible and must deliver the cargo safely at the port of discharge.

3) **The post- purchase evaluation of satisfaction during the post- fixture stage** (in bulk market) – or post- booking stage (in liner market) – and after the delivery of cargo to the consignee.

During this stage, charterer or shipper may experience varying levels of doubt that the correct fixture or booking was made.

2.3.4 Chartering Policy of ship owners in Bulk

In bulk market the ship owner's chartering policy defines the type of vessel's employment and vice versa. The ship owner comes to the freight market with a ship available, free of cargo, with no employment. In small shipping groups, the ship owner makes all the decisions about the employment of his vessels. In large shipping companies, top management is more remote from the daily operation of the business. Decisions are made by more complicated managerial schemes composed of more than one person (for example a board of directors composed of five or seven persons). In the case of listed companies, time charters may be preferable so as to give some income visibility and provide the stockholder with a possible dividend payout.

During periods of strong or booming freight markets, chartering policy is usually focused more on spot charters, so as to reap the benefits of this growth and give value to the shareholder of the company. On the contrary, during times of freight rate recession, either short-term time charters or spot employment may be preferred, to avoid locking the vessel earnings at low levels for a long period. It should be underlined that in the liquid bulk market, the role of oil companies is crucial. These companies are relatively few in number, often huge in size and form the main clients of the tanker shipping companies. Within this framework, the tanker shipping company should be in a position to persuade an oil company to select and charter its vessels (Plomaritou, 2017).

The daily and periodical fluctuations of freight rates in the bulk market occur very quickly, thus the market situation changes from one moment to the next. Consequently, the key factors in chartering tankers and bulk carriers are synchronization and optimization in decision-making, so

that the fixture is achieved at the best possible freight levels. The success of the ship owner in the bulk market results from matching the free vessel with the available cargo, fixing the appropriate type of charter, discovering the client's needs, offering suitable transport services that satisfy those needs, providing operating efficiency, communicating effectively with the target market and negotiating the freight as a function to the services provided and what the current state of the market dictates (Plomaritou, 2017).

Ships operated in the spot market must comply with charterers' demands concerning vessels' NHTJ, size, specifications and compliance with international safety management regulations. Furthermore, the vessel must be available at the right area, port or dock, at the right time and ask for a competitive freight level compared to freight quotes from other interested ship owners. If the employment in question is for a longer duration on a time charter contract basis, then the importance of a ship owner's solvency, financial strength, integrity, reliability and reputation for good performance will increase correspondingly.

2.5. Challenges of Ship Chartering Practices

At this point of analysis, emphasis should be given to the external factors caused by social forces and physical causes, which affect positively or negatively the decision-making process of charterers and shippers, as well as their chartering policy.

More specifically:

2.5.1. Physical causes

The physical causes are mainly concern physical catastrophes and weather conditions. For example, a heavy winter in Europe will increase the demand for oil, the demand for tankers and consequently it may affect the chartering policy of tanker charterers.

2.5.2. Social forces

Social forces include political, technological and economic events. The term political events is used to refer to such occurrences as localized wars, revolutions, political nationalizations of foreign assets, strikes, canal closures, flag boycotts, embargoes, oil crises, government changes and similar events. The unforeseen political events bring about a sudden and unexpected change in demand for sea transport services and consequently in the charterers' policy.

2.4.3 Technological events

Technological events are mainly related to the great technological developments in cargo handling methods, as well as in navigational practices.

Technical developments, such as the “no ballast system”, the “LNG fuel for propulsion and auxiliary engine”, the “sulphur scrubber system”, the “advanced rubber and propeller system”, the “speed nozzle”, the “exhaust gas recirculation” etc. which if used together would result in the Green Ship of the future. The transition from one technology to another may affect the decision-making process and chartering policy of charterers and shippers. For example, technological developments in shipbuilding may lead to an increase of demand for the new type of vessel and to a decrease of demand for the existing technologically disdained tonnage.

2.6. Commercial risks faced by ship owners in chartering

Ship owners face increased exposure to commercial risks arising from charter parties, operations and claim issues. In certain circumstances, these risks are large enough to undermine or destroy the financial base of ship owners. Successful commercial decisions, chartering policies and marketing strategies assist them to limit or even to avoid some types of risk (Plomaritou, and Nikolaides, 2016). With regard to chartering matters, the nature of commercial/ business risks may be:

2.6.1 Financial risk

It assumes that financial loss could occur in the case of the vessel’s poor performance. Loss or damage of cargo in transit is an insurable risk, but raises many difficulties for the shipper, who may not be well prepared to pay more against the risk of damage for securing the transportation of his product (Rachel Hnewood and Tan Tee Hwa, 2016).

2.6.2. Social risk

It relates to the idea that there might be a loss of the charterer’s or shipper’s social status, associated mostly with the carriage of oil or dangerous goods by sea ((Rachel Hnewood and Tan Tee Hwa, 2016).

2.6.3. Chartering oriented, operational, navigational and geographical:

It comprises all those risks that arise from pure chartering orientation (e.g. wrong chartering policy), as well as from operational matters of a charter, such as for example cargo handling, ship owner's delivery of a seaworthy vessel to the charterer, provision of the cargo from the charterer etc. Besides, commercial risks may be of navigational or geographical nature, e.g. navigating in dangerous seas (e.g. piracy areas) or employing the vessel outside the agreed trading limits in a time charter etc (Rachel Hnewood and Tan Tee Hwa, 2016).

2.6.4. Legal risk

All the risks related to the law of the charter are included in this category. Legal matters may concern and affect the whole process of a charter, comprising the pre- fixture stages of investigation and negotiation of the charter, the fixture stages of drafting and signing the charter party, the stage of the execution of the charter, as well as the post- fixture stages of the allocation of disbursements and the legal claims that may arise from the charter (Rachel Hnewood and Tan Tee Hwa, 2016).

2.6.5. Ethical risk

The image and reputation of a company may be radically affected from a charter. Considerable risks of ethical nature sometimes arise. For example, a tanker owner is at risk of being liable for making oil pollution when he employs a substandard vessel with a drunkard master on board. Consequently, apart from the financial penalties, he is subject to a huge risk of an ethical nature, as long as his reputation and image will be badly harmed (Plomaritou, 2017).

2.6.6. Shipping risk

It is described by the possibility of not recovering the investment in a merchant ship (including the anticipated return on the capital employed) during a period of ship ownership. When shippers are able to forecast the demand of their cargoes in future (for example in iron ore trades), or if they believe that sea transport is of great strategic importance, they may decide to take the shipping risk themselves by acquiring ships or by chartering on a long- term basis the vessels of

independent ship owners. However, there are many cases where shippers never know how many cargoes they will have in future and consequently they do not know how many ships they will need in the future (for example in grain trades). As a result, the shippers enter into the market and charter vessels when they need them. The shipping risk then is undertaken by the ship owner.

2.6.7. The risk of timing at decision- making

The same decision (e.g. chartering vessels on the spot market) may be right at a specific point of time. By taking into consideration that charterers and shippers usually do not like taking the above-mentioned risks, then it seems obvious that they will try, whenever possible, to reduce risk before fixture. One strategy of risk minimization is the brand loyalty.

Brand loyalty is based on the degree to which the charterer (or shipper) has obtained satisfaction in the past. If charterers (or shippers) have been satisfied in the past with the transport services, they have little incentive to risk trying new shipping company.

2.7. ESLSE Vessels and Cargo Status

Chartering is an activity within the shipping company. A charterer may own cargo and employ a ship broker to find a ship to deliver the cargo for a certain price, called freight rate. Freight rate may be on a per ton bases on a certain route, in the world scale points (in case of oil tankers) or alternatively may be expressed interms of total sum-normally in US dollars-per day for the agreed duration of the charter. A charterer may also be a party without cargo who takes a vessel on charter for a specific period from the owner and then trade the ship to carry cargoes at a profit above the hire rate or even make a profit in a rising a market by re-letting the ship out to the other charterers. Depending on the type of a ship and the type of charter, normally a standard contract form called a charter party is used to record the exact rate, duration and terms agreed between the ship owner and the charterer. Shipping service uses three business modalities namely own vessel, slot vessel and chartered.

Vessels (ESLSE, 2022)

Table,2.1. List of vessels owned and chartered by ESLSE and Loading Status

No	Vessel Name	Load Capacity	Type of Vessels
1	MV Shebele	25,000.00	Own Semi Container
2	MV Gibe	25,000.00	Own Semi Container
3	MV Assosa	27,926.00	Own General Cargo
4	MV Harar	28,000.00	Own General Cargo
5	MV Finfine	28,140.00	Own General Cargo
6	MV Gambella	28,119.00	Own General Cargo
7	MV Jigjiga	28,000.00	Own General Cargo
8	MV Mekelle	28,000.00	Own General Cargo
9	MV Semera	28,000.00	Own General Cargo
10	MT Bahirdar	41,500.00	Own Tanker
11	MT Hawassa	41,500.00	Own Tanker
12	MV Navead Purna	50,499.00	Chartered Vessel Bulk Cargo
13	MV Star Piyx	50,000.00	Chartered Vessel Bulk Cargo
14	MV Ultra Intiator	60,000.00	Chartered Vessel Bulk Cargo

Source: ESLSE Stastical bulletin, 2022

Note that, about half of the ships operated by the liner companies are not owned by them, but are chartered from the ship owner, who is likely to be from a third country, for Example Germany and Greece.

ESLSE Chartering Procedure

2.8. ESLSE Chartering Procedure

2.8.1. Enquiry (Market Entry)

Enquiry shall be sent simultaneously to all the empaneled brokers and Indian Ship-owners through email/fax. Copies of the enquiry shall also be uploaded to the website of Indian National Ship Owners' Association (INSA) for inform the Indian ship owners about our enquiry and also for obtaining 'No Objection Certificate (NOC) wherever required. Ship-owners / brokers will be advised to keep offers valid till a specified time/date indicated in the enquiry.

2.8.2. Receipt of offers

Receipt of offers shall be through either of the following modes: i. Dedicated e-mail box with password protection. Separate mail boxes shall be provided for receipt of offers against each enquiry. A dedicated fax with locking facility would also be available as an alternative mode.

- i. At the expiry of the designated time for receipt of offers specified in the enquiry or at the expiry of the extended time as provided in sub-clause (e) of this clause, as the case may be, the e-mail box / fax room shall be opened and the offers will be printed / collated.
- ii. Unsolicited / mid-way offers will not be considered.
- iii. Bidders will have to submit hard copy of the offer and other related communication for records if required.
- iv. The time for submission of offers may be suitably extended, if required.

2.8.3. Evaluation of Offers

- a. Technical Evaluation: For all the valid offers, technical evaluation shall be carried out to assess the workability of the vessels.
- b. Commercial Evaluation: After establishing the workability of the vessels, commercial evaluation shall be made on the basis of 'Freight' quoted and offers will be ranked. Demurrage rate and other terms & conditions will also be negotiated.

2.8.4. Negotiations / Counters

The process of negotiation / counters will be as under:

i. No Indian Ship-Owner has quoted

Negotiations will be held with all the technically acceptable bidders indicating their respective ranking. Whereas a 'firm' counter will be given to L1 bidder, the counter to other bidders will be 'open' (i.e., Open1, Open2, etc.). During negotiations, the original rankings of the bidders can change depending upon their response to the counter(s). In case, agreement is not reached, HPC may explore other alternative.

ii. Ship-Owner(s) has/have also quoted

In case, offer(s) is/are received from Indian ship-owner(s) (vessels belonging to Indian Ship Owners flying the Indian Flag), the Indian ship-owner(s) will have the 'first right of refusal' as per prevailing DG Shipping guidelines.

iii. Ship-owner is L1

In case, counter is to be given, the same shall be offered 'firm' to the technically acceptable L1 the ship owner (and 'open' to other technically acceptable, the ship-owners, irrespective of their rankings, in case there is other ship owners in addition to the L1 The ship owner along with 'open' to all technically acceptable foreign ship owners The respective rankings of all the bidders shall be disclosed.

In case, negotiations are successful with the foreign ship-owner, Indian ship owner(s) will be asked to match the rate, failing which, the ship will be fixed with the foreign ship-owner.

iv. The ship-owner is not L1

- In case, the rate quoted by the foreign ship-owner is acceptable, technically acceptable Indian ship owners will be asked to match the rate. If more than one Indian ship-owner match the rate, the ship belonging to Indian ship-owner with the original lowest ranking among them, will be fixed on subjects.
- In case, counter is to be given, the same shall be offered 'firm' to the technically acceptable L1. The ship-owner (and 'open' to other technically acceptable Indian ship-owners, irrespective of their rankings) along with 'open' to all technically acceptable foreign ship owners. The respective rankings of all the bidders shall be disclosed.

In the event, the ship owner(s) is/are not L1 in the negotiations, they will be asked to match the lowest rate of the foreign ship-owner. In case, none of the Indian ship-owners match the rate of the lowest foreign ship-owner, 'fixture on subjects' will be concluded with the foreign ship-owner. All counters shall be sent / received within specified time.

2.8.5. Fixtures on Subjects

After concluding the negotiations, the ship fixture will be confirmed on 'subjects' with a time schedule to carry out the following activities:

- a. Charterer's Management approval
- b. Terminal / Supplier acceptance
- c. Confirmation of cargo (stem) from user
- d. Obtain Fixture Note from the broker / owner for record

2.8.6. Charter Party

On receipt of management approval, terminal/supplier approval and cargo confirmation, the 'subjects' will be lifted i.e., the vessel will be clean fixed. Clean Fixture Recap will be received from the broker/ship-owner. Following charter parties shall be used.

1. Voyage Charter (Foreign & Coastal) ASBATANKVOY with HPC specific rider clauses
2. Time Charter (Foreign). SHELLTIME 4 / 3 (for LPG) with HPC specific rider clauses
3. Time Charter (Coastal) Charter Party agreements developed by HPC and in use

2.8.7. Procedure for Out-Chartering of Vessels

For out chartering of vessels, OMCs, Indian Shipping Companies and empaneled Brokers registered with HPC will be intimated on position, trading area, cargo grade, lay can, etc.

Negotiations:

Based on the offers received, HPCL will carry out negotiation with the best offer. On successful completion of the negotiations, the vessel shall be given on subjects to the charterer for their approval.

2.9. Best Practices of Ship Chartering in the World

2.9.1. Greece

The chartering process has to do with the creation of demand for the maritime transportation services of the shipping company, that is, in essence, with making available the company's vessels in the charter markets and the ensuring of employment for the vessels. It is, then, a process which is carried out by the specialized chartering department. Chartering personnel have duties similar to those of ship brokers and also possess, as a rule, apart from information on the market, the required specialist skills and knowledge (information, technical knowledge, of the legislation, negotiating skills, etc.) to negotiate the terms of the charter party. The choice of the form of the charter, that is voyage charter, time charter, or bareboat charter, as well as the decision to participate in commercial pool, is a process of strategic character, as it is connected with the approach of the company towards the risk created by the fluctuations in the chartering markets (supply and demand). An accurate analysis of market data and the choice of the appropriate form of charter by a creditworthy charterer are necessary conditions for the survival and development of the enterprise.

2.9.2. Brazil

The best practices of Brazil for time charters and other long term chartering arrangements are:-

In Brazil, there is no general rule for maritime and shipping courts. The Brazilian legal system is a State Court system in which each state has the authority to organize and define the matters that will be dealt with in each of its courts. For example, in the State Court of Rio de Janeiro, there are seven first-instance courts that have jurisdiction over commercial matters such as insolvency, bankruptcy and maritime disputes, which sit apart from other civil matters. However, in most states there are no specialized courts and maritime matters are ruled by regular civil courts. In some circumstances, such as if a state-owned vessel or a federal interest is involved, Federal Courts will have jurisdiction (UNCLS, 1982).

In the above-mentioned judiciary system, the most common claims involve charter contract disputes, demurrage claims, cargo claims, arrest of vessels, indemnity claims for accidents involving vessels and others.

2.9.3. Netherlands

The owner of a seagoing vessel, or its representative, may apply for registration in the Dutch Ship Register. However, such request will only be granted if the vessel qualifies as a Dutch vessel. This is the case if: the vessel is owned by one or more nationals of a member state of the European Union, or of a member state of the European Economic Area (EEA), Switzerland or persons who are equated with EU citizens, or the vessel is owned by one or more partnerships or legal entities established in accordance with the law of a member state of the European Union, one of the countries, islands or areas referred to in article 299, paragraphs 2 to 5 and 6c of the Treaty establishing the European Community, a member state of the EEA or Switzerland, or the vessel is owned by other individuals, companies or legal entities, who can invoke the freedom of establishment rules by virtue of an agreement between the EU and a third state; and the owner or ship manager has a head or branch office established in the Netherlands under Dutch law (Arnold and Charlotte, 2019).

2.10. Empirical literature reviews

The application of logistics principles in maritime transportation caught the attention of scholars and market practitioners, which resulted in the emerging of a new discipline called maritime logistics. This new concept adopted by maritime companies and ports has improved the quality of services and operations in the industry (Panayides, Song, 2013). Moreover, maritime logistics involves the optimization of resources in the logistics chain to transport cargoes by sea, rivers, or waterways at lower costs and with efficient information flow (Gudehus and Kotzab, 2012).

However, this new discipline is more applicable in the liner sector, where shipping lines, ports, and maritime actors along the logistics chain, have integrated their operations and cooperate with each other to create maritime networks and more efficient transportation systems (Panayides, 2006). On the other hand, there are not many studies or researches regarding the application of maritime logistics to the dry bulk and tanker market. It can be related to the fact that the tramp market or charter market is highly volatile, characterized by having cycles and impossible to predict. Consequently, shippers and receivers make trade according to the production capacity, to avoid either storage of goods in their premises or small shipments hurting their cash flow (Comtois and Lacoste, 2012)

According to Plomaritou, (2016) reviewed that the most important aspect of commercial risks arising from charter parties, operations and claims issues. That means the risks allocated between the ship owner and the charterer throughout the chartering process (pre-fixture, fixture, execution of charter, post-fixture, claims handling), from a financial, operational and legal perspective. The interpretation of the above mentioned matters is considered of critical importance in chartering practice. The analysis is seen from a commercial stand point. Therefore, it is mostly addressed to the shipping practitioners, maritime economists, academics, students and researchers who seek to form a comprehensive view on the subject. However, the review is not specific in particular topic and shipping company, rather he tried to review the commercial risks that faced in the world. Therefore, my study area is mainly focus on assessing the ship chartering practices and challenges particularly in Ethiopia shipping and logistics service enterprise.

According to Theophilus, Nwokedi *et al.*(2018), the study assessed shippers and ship owners' ship and charter party type choices in the wet and dry bulk ship broking and chartering market as guide for performance improvement for African and Nigerian ship brokers.

The study adopted a survey method in which the Baltic International Maritime Council (BIMCO) was surveyed and 5 year data on ship types and charter party type choices of shippers and ship owners was obtained.

The statistical tools of Analysis of Variance (ANOVA) and independent sample t-test were used to compare the ship type choices and charter party type choices of shippers and ship owners.

The result indicates that shippers' in the wet and dry bulk cargo market show greater preference for Supramax vessel type (54.2%).

Shippers and ship owners also show greater preference for voyage charter party type than time charter party for all types of vessels. It was recommended that ship brokers should place greater priority on trading in Supramax ship types and voyage charter party type as the demand trend for this ship type is likely to remain higher over time; followed by VLCC; while more shippers and ship owners are likely continue to show preference for voyage charter than time charter.

Regarding to that, the research student observed the gaps from the finding above are, there is high preference of Supramax vessel type than others why? There may be various reasons among which technical performance, cargo load capacity, geographical location, existence of appropriate voyage planning and reputation of the vessel. Moreover, it showed that the shippers and ship owner's preference for voyage charter than time charter, due to the volatility of spot freight rate and imbalance of demand and supply the shippers and ship owners prefer the voyage charter party rather than the time charter.

The study done by Fekadu (2013) on logistics practices of Ethiopia was mainly focused on the transportation and customer service practices using general attributes of infrastructure, performance, information system, human resources, business and political environments.

He indicated that Ethiopian logistics system is characterized by poor logistics practices and lack of coordination of goods transport, low level of development of logistics infrastructure and

inadequate fleets of freight vehicles in number and age, damage and quality deterioration of goods while handling, transporting and storage.

However, the above study has a gap that does not give more emphasis for all detail logistics practices such as shipping and chartering practices in Ethiopia. This shows that the research is highly focused on the general part of logistics and ignored other specific shipping activities. There is also no study made to assess the logistics practices and challenges, specifically in ship chartering of Ethiopia.

According to Sung-Ho Shin, Paul Tae-Woo Lee & Sung-Woo Lee (2019), data analysis of ten major vessel chartering operators, including the Hanjin Shipping Company, ranked by chartering volume. This study investigated the charter contract management of container shipping lines by examining the influence of fluctuation in shipping market conditions and vessel characteristics on the contract charter duration employing duration analysis. In particular, causes for the bankruptcy of the Hanjin Shipping Company (Hanjin) are examined in this study. First, Hanjin failed to set up effective chartering policy that reflected trends in the shipping market. Typically, shipping companies operate owned vessels to reduce financial risks in adverse shipping market conditions. However, the authors, tried to investigate the trends of Hanjin Shipping Company such as there is market fluctuation, bankruptcy and ineffective chartering policy.

From the article above, the research student observed similar investigation with his study area regarding to the trends of particular shipping company however, the author was analyzed the ten major vessel chartering operators.

The study of Johnson and Linda (2015) stated that ship charterer's, (shippers) demand for bulk carriers in the wet and dry bulk ship chartering market is seen to be influenced by direction of volume and tonnages of seaborne dry and wet bulk cargo(supply) traded in the international market. This is in line with the propositions of transport economists over the years who view demand for bulk carriers in the dry and wet bulk market as derived, arising from the need to transport seaborne trade volumes and tonnage to international destination routes and seaports, implying that the charterers will be induced to demand a corresponding quantum of ships tonnages and volumes as the tonnage and volume of seaborne wet and dry bulk cargo needing transportation and handling to various locations around the globe.

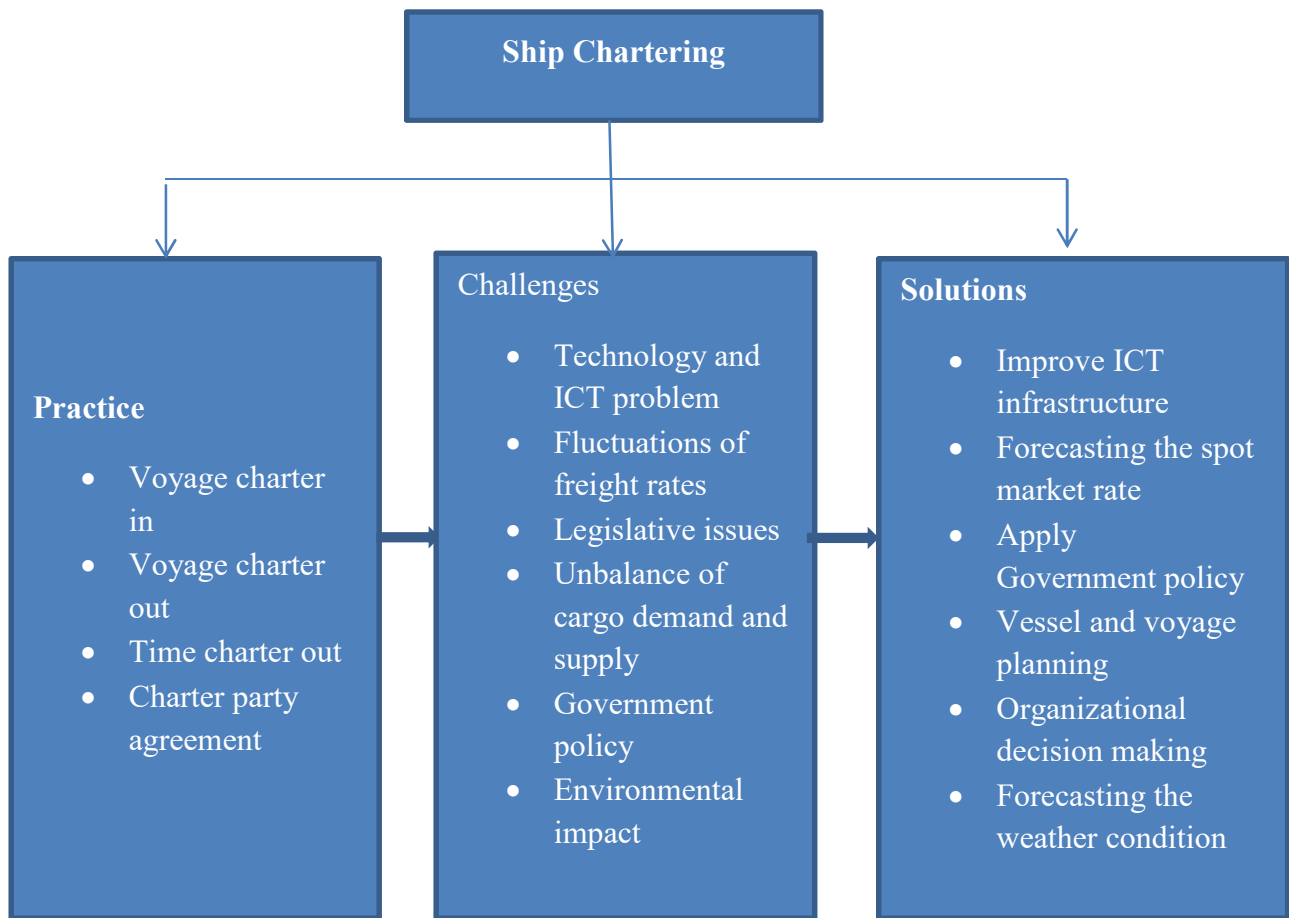
The implication to ship owners in the wet and dry bulk market is that equivalent shipping need to produce in order to achieve equilibrium. Thus the direction of international trade volumes and tonnages is taken to be the major determinant factor influencing the responses and behaviors of charterers in the decision of numbers ships and shipping tonnages to charter-in, while ship owners are induced to respond by supplying these tonnages in ships; being also influenced by the directions of growth of international sea borne trade.

The authors mainly focus to assess the fluctuation of international market demand and supply and how much it influenced the international sea borne trade. Regarding to his study the fluctuation of demand and supply is one factor that influences the ship chartering in the case of ESLSE.

2.11. Conceptual frame work

This study was guided based on the logic model approach to design, develop, implement and basis for identifying and measuring the theory , practical experience , challenges and solutions of ship chartering practice in ESLSE.

As indicated in the diagram of the conceptual frame work, the study is highly focused on the extent of practices of the below four main chartering activities and the challenges of ship chartering using the six categories with possible solutions.



Own development 2022 diagram

Figure1. Conceptual frame work of the study

CHAPTER THREE

3. RESEARCH METHODOLOGY

This chapter presents the methodological approaches that apply in this study and give insight into the data collection methods and the main sources of information.

3.1 Research Approach

Abrams (2010) describe two kinds of approaches to carry out a research, the quantitative research and qualitative research. The quantitative research is based on numerical or statistical data to declare the meaning of research, and the qualitative research collect data through observations and it focused on experience, opinions and knowledge. Hence, This study will be used qualitative research approach to explore the ship chartering practices and challenges in Ethiopian shipping and logistics service enterprise.

3.2 Research Design

Since the main objective of the study is to assess ship chartering practices in Ethiopian shipping and logistics service enterprise and the related chartering challenges, the study will be proposed a descriptive type of research design. Descriptive research studies are those studies which concern with describing the characteristics of ship chartering types and practices. Studies concerned with specific predictions, with narration of facts and characteristics concerning individual, group or situation are all examples of descriptive research studies (Kothari, 2004).

So the study will be used qualitative research approach, and this is to be efficient for answering the research questions.

3.3 Population of the Study

The target populations for the study were the purposive chartering employees of the organization and the external customers (cargo receivers) so as to investigate the current chartering practices and the associated challenges. Hence, the internal chartering employees including the Manager and Directors are seven (7), trade route managers three (3) and specific staffs three (3) and the external customers are also Ten (10):- from Ethiopian Sugar Corporation (2), Ethiopian

Agricultural Business Corporation (2), Ethiopia Petroleum Enterprise (2), FDRE Public Procurement and Property Administration Agency(2) and National Oil Ethiopia (2) those who worked as senior experts and managers.

3.4 Sampling technique and sample size

The sampling technique was purposive sampling and the respondents that represent the company would be selected by using expert purposive sampling technique since, the employees who worked on chartering and the consignees who are ordering or receiving the cargo

3.5 Data source and type

The study will use both primary and secondary data collection methods to achieve its objective. For a primary data collection method in-depth interview was applied. In addition, secondary data were collected from documents and performance which recorded by the ESLSE and from Ethiopian Maritime Authority data archival. The study used both primary and secondary data collection methods to achieve its objectives.

3.6 Data collection Methods and Procedures

According to (Kumar, 2011), there are two major approaches to gathering information about a situation, person, problem or phenomenon namely; primary and secondary data sources. The data for the purpose of the study will obtain from both primary and secondary data sources.

Data collection procedure will have open ended questions for interview that properly address the acquired information in order to get back the required data. Before proceed to data collection, the interview questions will design as per required approach in order to easily understand by the respondents.

The designed interview questions will be distributed to respondents and followed by collection of filled data. After collection of the data, analysis will do.

3.7 Measurement and Instrumentation

he in depth interview is the appropriate measurement for assessing the chartering practices and also helps to investigate the data output through descriptive method. In order to achieve the objectives of the study the researcher conducted interview with the internal and external customers.

The interview was directly focused on assessing the chartering practices and challenges of the enterprise. According to Kumar (2011), unstructured interview is a flexible interview structure with flexible contents and with a greater flexibility in interview questions. It provides complete freedom in terms of content and structure. It helps to formulate questions and raise issues on the spur of the moment, depending upon what occurs in the context of the discussion.

3.8 Data Analysis

The data were collected by qualitative method and analyzed according to its type. After collecting the required data through the data collection tools, the data process to the following stages; the raw facts/ data make ready for data analysis.

Data gathered from participants were analyzed by classifying as qualitative approach and secondary data. Data will be collected in the qualitative approach (interview) and from secondary data. Next to that the data were analyzed through explanations, understanding and interpretation of the enterprise. In other words the analysis was used to analyze the qualitative data gathered via in depth interview.

Generally, data presentation and interpretation will be applied in tables, graphs, charts and figures in order to display the collected data in a concise and meaningful way.

3.9 Validity and Reliability

3.9.1 Validity

According to Kothari (2004) Validity refers to the degree to which a study accurately reflects or assesses the specific concept that the researcher is attempting to measure. Validity is concerned with the study success at measuring what the researchers set out to measure.

This instrument has been well validated and used by researchers in studies of assessment of ship chartering practice and challenge. In addition the survey questionnaire was validated by

professionals. The researcher thoroughly pursued to capture data from the right source using appropriate instruments to make them valid. In order to confirm the content validity of the measurement instruments, the un structured interview questionnaire were derived from objectives.

3.9.2 Reliability

Reliability refers to the consistency or dependability of a measuring technique. As a rule of thumb, researchers consider a measure to have adequate inter item reliability if Cronbach's alpha coefficient exceed .70, the items on the measure are systematically assessing the same construct and that less than 30% of the variance in people's scores on the scale is measurement error (Leary, 2012). The researcher used qualitative approach to analyze the qualitative data and the method used to collect data is in in depth interview. But the Cronbach's alpha is used to measure the reliability of the quantitative data that are collected through questionnaires. The reliability of the qualitative data collected from the interviewees is measured based on the knowledge, attitude, and responsibility of the interviewees.

3.10 Ethical Consideration

In undertaking any research, there is an ethical responsibility to do the work honestly and with integrity (Adams et al, 2007: 35). In order to protect the participant's secrecy and confidentiality of the information gather from them will not reveal to the third party. Hence, the respondent's rights to privacy, to be fully informed approval, confidentiality, and anonymity was addressed individually. Respondent's name and other identifying information was not use in study. Finally the researcher used many works of others and he has given proper credit to them.

CHAPTER FOUR

4. RESULT AND DISCUSSION

4.1. Introduction

The research design and methodology used to collect and analyze data in order to answer the research questions have been discussed in Chapter Three. The purpose of this chapter is to analyze the data collected from the 23 interviewees and secondary data, present the analyzed results accordingly. From the total twenty three (23) potential interviewees, twenty three (23) of the respondents were interviewed; - thirteen (13) of them were from ESLSE and ten (10) of them were from external customers. The data analyzed qualitatively and showed the trend of the cargo type and amount in tables and figures. The demographic data collected, coded, edited and analyzed using a software program called STATA and the data collected from in-depth interview and the secondary data, analyzed by using qualitative method. The purpose of this study was to assess the ship chartering practices and challenges in ESLSE

4.2 Descriptive Analysis

The assessment of ship chartering practices and challenges conducted on ESLSE Marketing and Chartering Division and External customers. In this section, variables related to general Characteristics of interviewees, are described on below.

4.3. Demographic Profile of the Interviewees

In this study, the researcher described interviewees profile in terms of gender, age, job position, educational level, and customer type and work experience. Interviewees were asked to state their characteristics for purpose of classifying and comparing them thereafter. The study employed unstructured interview questions to categorize Interviewee's profiles and their responses were analyzed using frequencies and percentage distributions as shown below.

Table 1: Characteristics of Respondents by Sex and Age

Characteristics	Category	Frequency	Percentage
Sex	Male	8	34.78
	Female	15	65.22
	Total	23	100
Age	Below 30	4	17.39
	30-40	10	43.48
	41-50	5	21.74
	Above 50	4	17.39
	Total	23	100

Source: survey result, 2022

From the above result, the number of male and female interviewee is not equal. There were more female as compared to male as presented by 15(65.22%) and male were minority 8(34.78). Thus, these findings revealed that majority of female interviewees were participated in this study and the interviewees in terms of their age and it was an important characteristic in an understanding of their views about the ship chartering practices and challenges. There was 4 interviewees (17.39%) who were <30 years old. And 10(43.48%) interviewees are in the range of 30-40 years old, 5(21.74%) interviewees within the age of 41-50 years old and lastly 4(17.39)% interviewee were above 50 years old.

The result implies that the highest (43.48%) proportion is occupied by those individuals whose age is found between 30 and 40 years of age. Thus are adult age groups. Level of maturity of individuals indicates more to give reliable data in a responsible manner with regard to company relationship.

Table 2: Respondents by Education Level and Job Position

Characteristics	Category	Frequency	Percentage
Education Level	College Dipolma	0	0
	Bachelor Degree	13	56.52
	Masters Degree	10	43.48
	PHD and above	0	100
	Total	23	100
Job Position	Seniour Expert	13	56.52
	Coordinator	4	17.39
	Manager	3	13.04
	Director	3	13.04
	Total	23	100

Source: survey result, 2022

Concerning to the education qualification, all the respondents had a professional qualification. Interviewees in the category of degree holder and master's degree are 13(56.52%) and 10(43.48%) respectively. The largest amount of interviewees 13 (5652%) are degree holder. According to the results majority of the interviewees are degree holders & above and seems to assume that they have high understanding & can give their reliable information responsibly

As it can be observed from the result regarding the job position of the interviewees, 13(56.52%) are senior expert. 3(13.04%) of the interviewees are manager and 3(13.04%) are directors, the remaining 4(17.39) interviewees are coordinator. Most of interviewees are senior experts and this tells those interviewees are the main sources to know the practices and challenges of the ship chartering of the enterprise. Because it assumes that they have direct contact with the ship owners, shippers, cargo receivers and easily know the challenges and practices.

Table 3: Respondents by Work Experience and Customer Type

Characteristics	Category	Frequency	Percentage
Work Experience	Less than 2 years	0	0
	2-5 year	4	17.39
	6-10 years	7	30.43
	Above 10 years	12	52.17
	Total	23	100
Customer Type	External	10	43.48
	Internal	13	56.52
	Total	23	100

Source: survey result, 2022

According to the above result, from the employee and customer experience with the company 4(17.39%) interviewee has been customer or employee for the company ESLSE for less than five years, 7(30.43%) interviewees for a period of ranging between 6-10years, 12(52.17%) interviewees had customers or employees for a period above 10 years. This indicates that, majority of the ESLSE customers or employees had knowledge and experience about the ship chartering practices since they had been ESLSE employees and customers for relatively long period of time that is 6 years and above. From the total sample interviewees, the internal customer 13 (56.52) of the interviewees were employee of the enterprise and the rest 10(43.48) of interviewees are external customers.

4.4. Responses from Internal Customer Interviewees

4.4.1. Types of Bulk Cargos and Its Trend

Interview with manager, coordinator and senior chartering officers from Marketing and Chartering was attended with the question below:

Q5. “What are the types of bulk cargos trading through chartering in ESLSE?”

According the respondents stated that, the types of bulk cargos that are shipped by chartered vessels are coal, fertilizer, wheat, malt barely, sugar and steel. “ As per interviewing the manager, coordinator and employees the researcher found that, the chartered vessels are shipped coal, fertilizer, wheat, malt, sugar and steel.

**Q6. “How do you see the trend for bulk cargo volume & type during the last 11 years?
When was started to ship those cargos?”**

To answer the above question the researcher used the secondary data from ESLSE annual reports, the researcher observed from the table below the bulk cargo types and amount have been showed increment from year to year due to having good vessel schedule with the voyage planning, provision of affordable freight rate, having better knowledge about the shipping terms and conditions, good communication, availability of international cargo suppliers and government support. And also these cargo types when were started to ship can refer from the table below.

Table 4. Total bulk cargos shipped within the last 11 years by ESLSE (in tons)

Year Of Shipment	Cargo Type						Total
	Coal	Fertilizer	Wheat	Sugar	Steel	Malt	
2012	-	-	-	52,174.48	-	-	52,174.48
2013	244,136.00	-	-	114,581.92	-	-	358,717.92
2014	383,443.85	-	-	-	-	-	383,443.85
2015	547,338.02	33,011.00	-	164,232.25	-	8,991.00	753,572.27
2016	682,934.00	-	-	320,724.00	236,859.35	12,000.00	1,252,517.35
2017	731,490.00	-	-	70,000.00	199,890.78	9,000.00	1,010,380.78
2018	823,507.70	-	-	90,000.00	81,499.68	8,499.00	1,003,506.38
2019	747,249.04	-	-	50,164.00	125,634.27	-	923,047.31
2020	868,010.00	1,305,152.00	986,043.77	250,000.00	85,236.45	-	3,494,442.22
2021	622,239.00	1,565,301.75	-	200,642.36	38,244.00	-	2,426,427.11
2022	401,895.00	1,200,000.00	-	200,000.00	-	-	1,801,895.00

Source: ESLSE Annual Reports (2012-2022)

4.4.1.1. Trend of the Bulk Cargos Analysis

Fertilizer

According to the data obtained from ESLSE & interview of ship chartering marketing the trend of fertilizer shipment observed fluctuation until a single vessel was chartered in 2015 to practice. Since 2019/20 up to now policy decision by the government carried out the import of fertilizer shipments through chartered vessels. As the cargo trend can be observed from the chart below or the table which shows the overall trend of shipments in particular to fertilizer shows that the incremental change from 1.31 MT in 2019/20 in to 1.56 MT in 2020/21 this can be achieved by new policy decision by the government, the efforts ESLSE leadership and commitments of chartering staff and stakeholders. However during the process of chartering a lot of challenges confronted the owner of the shipment has a technical & exposure gap in charter party terms and conditions shipping industry, missing laycan due to weather condition time taking decision making process, port congestion delays on demurrage and dispatch settlements are main reasons.

Sugar

As we can see from ESLSE data above the sugar shipment started since 2012 up to 2022 but the chartering of the shipment shows fluctuation due to internal & external factors. i.e internal which means owner of shipment sugar corporation in terms & conditions of shipment by the nature the bagged sugar shipped in liner vessel (own and slot vessels) seasonal fluctuations of freight rate, sometimes the corporation used CIF terms & has conditions has an impact. Under construction of 10 sugar industries the country may create an export capacity in the near future ESLSE should maximize the opportunity & work closely to get market share of Ethiopian exports. In addition to that the manager stated the wheat shipment was done only one year in 2019/20. Ethiopian National Disaster Agency & Ethiopian Trade & Business Enterprise uses CIF terms of purchase to wheat shipments of bagged wheat but ESLSE were interfere in the port clearance & inland transport. the gap in the market share of wheat emanates from foreign aid and donors organization which they want favor their local companies or get lower freight rate of huge ship which create economic of scale opportunity. Besides some internal problems of during the shipment such as absence of cargo voyage planning, misunderstanding on demurrage and dispatch settlement & huge gap on the understanding and interpretation of shipping terms & conditions, the liabilities of missing lay can. Increment

Steam Coal

According to ESLSE data & marketing and chartering manager confirmation the coal shipments since 2013 up to now with significant increment each year due to the demand for steam coal increases, good vessel schedule to meet the voyage planning ,provision of competitive freight rate & the cargo owners have better understanding of shipping terms and conditions ,having good communications with international supplier, broker , ship owners & other stakeholders .in addition to that good understanding of policy direction of the government incremental change of internal staffs in understanding of terms ,conditions , performing capacity, immediate follow up & assistance of higher decision makers contribute to performance improvement. Due to negative externality 2021 & 2022 shows the decline in demand for steam coal. The overall improvement over more than decades pass through various challenges such as fluctuations in international freight rate, weather condition affects the cost of freight transport & time, lack of flexibility on procedures, providing decisions on the predicament. The shipment plan of ESLSE based on previous years trend and gathering demand of the main customers due to positive and negative externalities there were problems in closing demurrage & dispatch due to lay can

4.5 Chartering practice & Types in ESLSE

Based on the interview with Manager, Coordinator & senior chartering officers from chartering & marketing departments & other relevant department heads were participates with the questions below

Q2 “what are the types of chartering and the charter parties are being practiced in ESLSE?”

According to the respondents there are three types of chartering practice being implemented in ESLSE such as voyage charter in or out (steam coal),time charter out (own vessel and the tankers) and the contract of affreightment (a voyage of fertilizer and wheat)

Voyage charter is one time voyage from port A to port B with a contract of voyage charter party between the ship owner and charterer.as ESLSE, it is applied for a shipment of coal as charterer chartered in and chartered out the own vessels as ship owner.

Charter In

For example :the MV .NAVDHENU PURNA is recently chartered (in)vessel that being used to ship the steam coal from port RBCT (South Africa) to port of Djibouti for one voyage with one charter party .Here, ESLSE is a charter



Figure 1: MV. NAVDHENU OYRBA, chartered in vessel, 2022

Charter Out

For example : the MV Jigjiga is recently chartered out the vessel that being used to ship the general cargo from port Kandla to port of Djibouti and Berbera for one voyage and for a single voyage charter party .here ESLSE is a ship owner and charteres are OMINCO GROUP.



Figure 2: MV. JIGJIGA, chartered out vessel, 2022

Contract of Affreignment (COA) is an agreement between a charterer and ship owner, where the ship owner agrees to transport specific amount of goods for the charter at a specific period (with in six month).regards to ESLSE ,has been agreed with the ship owner to transport 1.5 Million MT.-----



Figure 3: MV. STAR PYXIS, chartered in vessel, 2022

A **time Charter** means hiring of ships for a fixed time frame (a few days to a few years): the owner (ESLSE) retains management of the ships ,but the charterer (CPC) has the power to choose which ports to dock and directs where the ships goes except the sanction countries that are listed on the agreement .Additionally ,the charterer (CPC) bears all the fees the ships incur. This includes the cost of fuel that the ships consume, port charges, a daily “hire” to the owner.

The ship owner (ESLSE) is only own the ships and collect the daily “hire.” For instance ,ESLSE is the owner of two tanker vessels such as MV. Bahirdar and MV. Hawasa. For the last two years these tankers have **chartered out** to CPC shipping company at the agreed daily hire. For the next time, the enterprise will be on process to hire tankers, with MOCK shipping company.



Figure 4: MT. Hawasa and MT. Bahiridar (Oil Tankers)

As per reply of all respondents in ESLSE the researcher conclude that currently three types of chartering practicing in the company they are voyage charter in or out (steam coal) time charter out (tankers)and the contract affreightment (a voyage specific to fertilizer or wheat)and also the researcher observed ,that ESLSE can shipped cargo where there is a demand to the market (unless there is sanction) through in and charter out slot and own vessels with in a single charter party. ESLSE is being both as a charterer and ship owner.

4.5.1 Own Vessel Oil Tanker

According to the interview with Manager, Coordinator & senior chartering officers from chartering & marketing departments & other relevant department heads were participates with the questions below.

Q “why the tankers chartered out? What is the main problem ESLSE handle the Ethiopian Petroleum Supply Enterprise Market?”

Based on the response from all relevant ESLSE staff they are willing & committed to work with Ethiopian Petroleum Supply Enterprise due to sustainability of demand to import petroleum, the main reason not to maximize the market opportunity is that Ethiopian Petroleum Supply Enterprise had an agreement with other international petroleum suppliers for several years. Due to that ESLSE were forced to chartered out the tankers with different international shipping companies ,as a nation flag carrier shipping company, volatile freight cost & to reduce foreign exchange expense as a country at large this market needs a policy decision to benefit the country at large as well as the companies.

According to the employees response reflected that ,ESLSE has no license to manage technically for tanker vessels ,until now the tanker’s technical issues such meeting international standards of environmental friendly & technical issues are managed ,monitored & evaluated by ITM (International Tanker Management).in addition to that ESLSE tankers carrying capacity very small ,commitments of the decision makers are very weak Inco terms are major reasons not to exploit Petroleum market opportunities.

As interviewer such as commercial department director, Staff & other relevant departments clearly explain the major reasons to charter out the tankers are the nature of the agreement of Ethiopian Petroleum supply enterprise with international companies ,lack of technical skill to

manage & getting license to manage tanker vessel ,very small carrying capacity of ESLSE vessels, commitments of the decision makers are very weak & Inco terms used in the purchase agreement are determinant.

4.5.2 Chartered Out and In Vessels

According to the interview with Manager, Coordinator & senior chartering officers from chartering & marketing departments & other relevant department heads were participates with the questions below.

Q4 “Why ESLSE chartered in or out vessels? Explain the reasons and advantages and disadvantages?”

According the respondents charter in & out of vessels is common practice in the shipping industry due to companies benefit from economies of scale, the need to get continues market to the shipment, Standards & specification issues of International Maritime law some of the reasons while ESLSE chartered in vessels due to the above and other specific reasons such as:-

Load Capacity: the own vessels deadweight is from 25000-28000 but the slot vessels deadweight is 49500 up to 50500.

Specialization of vessels: the slot vessels are more specialize in transporting of bulk cargos such as fertilizers, coals, wheat and sugar and so on. But the own vessels are more specialized in transporting of general cargos, container and vehicles.

Unaffordability of port services: if the ports are not available in giving services by own vessels, ESLSE may chartered in other slot vessels.

Flexibility of schedule: the slot vessels are always scheduled and more flexible, if there is little arrangement.

ESLSE owned limited number of vessels: the enterprise own nine (9) dry cargo vessels and two (2) liquid tankers then, in order to fulfill the national interest the enterprise should chartered in vessels from the international shipping companies to maximize from economic of scale, to reach in various ports or expand its destinations.

The benefits of chartered in vessels: are to perform tasks efficiently & effectively, to develop& implement international shipping knowledge and practice ,improving staff performing skill towards understanding terms & conditions , by save time and cost improving service quality.

In addition to that shipping companies chartered out vessels to get large or small size of vessels carrying capacity which is economical, cost effective, less port dwell time to load and discharge

According to respondents in the interview the commercial department director ,manager and employees the researcher conclude that the main reasons to charter in vessel is are load capacity, specialization of vessels, unaffordability of ports, well scheduled and owning limited number of vessels. On the other hand the main reason reasons of charter out vessels are cargo availability in ports, lower demand for liner cargo and idle vessel will have high running cost. Due to current international ship freight increases ESLSE gain foreign currency & reduce countries foreign exchange payments for import cargos.

4.5.3 Challenges of ship chartering practice

According to the interview with Manager, Coordinator & senior chartering officers from chartering & marketing departments & other relevant department heads were participates with the questions below.

Q7. “What are the main internal and external challenge ship chartering practice as ship owner and charterer?”

In this regard interviewer explained the answer from various perspective vessel technical problems, missing lay can due to bad weather condition, port congestion, international freight fluctuation, shortage of cargo supply; poor inter departmental integration & ICT facility, cargo defects during inspection on arrival limitation of rules and regulations implementation capacity, cargo delay, lack of forecasting ability, poor and time taking vertical and horizontal integration & decision making.

As a charterer, there are so many challenges that are hindering chartering practice such as birth congestion, cargo delay, vessel delay, absence of well-trained expert’s technical problems (sea worthy) time taking decision making due to poor vertical & horizontal integration, weather condition, cargo deterioration due to long trip and pass through various atmospheric situation &

government interference, poor ICT infrastructure, vessels are not available according to the charter party agreement, fluctuation of cargo demand and supply & unpredictable international freight rate.”

As per interviewing manager, Coordinator & senior chartering officers from chartering & marketing departments & other relevant department heads the researcher summarized that, the most common challenges that hinder the ship chartering performance as a side of ship owner and charterer divide into two internal and external. Internal inefficient on technical terms & conditions of officers, poor ICT infrastructure & utilization, time taking decision making due to poor vertical & horizontal integration, port /birth congestion ,external issues such as bad weather condition, fluctuation of cargo demand and supply ,international freight fluctuation are the main ones.

4.5.4. Ship chartering plan

Interview with director of Commercial Department was followed with the question below:

Q8. “As an organization, what do you suggest to plan regarding the ship chartering for future?”

According to the director responded that, the organization has a plan to restructure and reorganize the ship chartering business process as a department with professional and well trained human resources in order to satisfy the national demand. In addition to that , the organization has a plan to develop ICT infrastructure near future with the integration of three international ICT developers. Moreover, the organization will have smooth and diplomatic relationship with stockholders (such as with government, ship owner, shipper, brokers, charterers and cargo receiver)”.

As per interviewing the manager the researcher confirmed that, the organization will have a plan the marketing and chartering division to restructure and reorganize as department by developing human resource and ICT infrastructure.

4.5.5 Staff Capacity building

Q9. “As a chartering team such as manager, coordinator, senior officer do you get on Job Training?”

As most of interviewee they don't take proper trainings to ship chartering practices rather they learn by doing in this regard the respondents say's if they will get on job trainings they will perform their day to day activity with confidence, in lower time & better quality.

Q10 “as a chartering staffs are easily understand the contact agreements, technical terms conditions and act accordingly?”

The interviewee replies they always request confirmation from decision makers in each steps since they have a technical gap to understand terms & conditions. In addition to that vertical integration of decision making process create back forth situation of documents, issues & decisions which is time taking reduce efficiency & effectiveness of chartering team .

Q11” how do you measure ICT infrastructure & Utilization of ESLSE in Chartering & marketing activities its contribution to decision making?

In this regard the interviewee responds that ICT infrastructure & utilization is at infant stage in the company specifically to chartering & marketing department until now there is no software which handle chartering process which reduces error, saving time, service quality improvement & decision making process & accountability easily identified.

4.6. Responses from Cargo Receivers

4.6.1. Types of Cargoes Chartered and the Main Challenges

An interview with the manager and relevant experts of Sugar Corporation stated that, Sugar Corporation was started to ship the bagged sugar since 2012 the corporation used waiver service. The main challenges during sugar shipments are: - to offer high freight rate, improper vessel schedule, and delay of operation during loading and discharging, delay of insurance claim process, shortage of cargo supply and shortage of well-trained experts related to shipping and chartering terms. And also the organization will have annual voyage planning for about 200,000 metric tons with help of ESLSE.

An interview with the senior expert of Ethiopian petroleum Enterprise (EPE) confirmed that, the enterprise was started ship chartering since 2015 by transporting of steam coal with the help of ESLSE, previously the enterprise used CIF shipping term directly agreed with the shipper. Now a day, the enterprise has annual voyage plan nearly 800,000 mt/year. During the ship chartering process, there are problems such as calculation of demurrage due to favor of lay can for ship owner, port rule skill gap, misunderstanding of the charter party terms and conditions, and ESLSE is not transparent regarding the calculation of freight rate and costs build up.

An interview with the manager of the Ethiopian Agriculture Business Corporation (EABC) revealed that the ship chartering started to ship fertilizer in 2019/20 with the help of ESLSE, before 2019/20 the corporation used CIF shipping term directly agreed with the shippers but the CIF term was more costly. The annual voyage plan of the corporation is above 1.8 million metric tons. However, during the ship chartering process, there are facing many challenges such as high freight offer, fluctuate of supply, skill gap on shipping and chartering conditions and terms, not signing back to back charter party with ESLSE, government intervention, not settle demurrage or dispatch on time and delay LC permission.

An interview with the senior expert from Public Procurement and Property Administration Agency (PPPAA) confirmed that both the Ethiopia Trade and Business Enterprise and Ethiopian National Disaster are administered under the agency. The agency worked with ESLSE for the last 11 years in giving forwarding and port clearance services, inland transport service and last year the agency shipped above 800,000 MT in ship chartering. And also this year, it had voyage planning with ESLSE to ship 800,000 mt but it is failed due to the government decision with the agreement of World Bank and other NGOs. There were problems during the ship operation shortage of LC, dispute on settlement of demurrage and dispatch, higher market price index, the charter party is not feasible to the cargo receiver, delay in decision making and communication cargo/vessel delay and weather condition.

As per interviewing the cargo receivers responded that ,during the ship chartering process, there are facing many challenges such as offering high freight rate, having skill gap on shipping and chartering terms, no signing back to back charter party with ESLSE, government intervention, not settle demurrage or dispatch on time, LC permission problem, improper vessel schedule, delay of operation during loading and discharging, delay of insurance claim process, shortage of

cargo supply and shortage of well-trained experts related to shipping and chartering terms, misunderstanding of the charter party agreement, delay in decision making and communication, cargo/vessel delay, weather condition and ESLSE is not transparent regarding the calculation of freight rate and cost build up.

Base on the strategic customer respondents the service quality of ESLSE in terms time , cost & quality they have some dissatisfaction they the assume that FOB method of Purchase increase their cost of purchase than CIF while in overall aggregate expenses they benefit from FOB payments as a company and as a country at large because there is no capital out flow in real terms rather all payables & receivables under government account.in addition to that if they purchase under CIF cost freight & insurance were settled in advance which incur more costs even though the liability privileges.

According to strategic customers they believe that there is huge gap in understanding ship chartering terms & conditions due to that they are not clear from which incoterms they benefit as a company & more strong liabilities. ESLSE should focus to address their challenges & gaps in ship chartering aspects since they are sustainable purchase of countries main and government purchased imports such as fertilizer, oil & Steam coal to get sustainable market for its chartering service. Regarding service improvement they need to work together & needs up to date information to their shipment status & immediate decisions & solution to the problems they face this will improve the service quality in terms time & cost.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The chapter covers three major sections. These include the summary of the findings, conclusion of the study and recommendations.

5.1 Summary of the major finding

According to the qualitative data analysis in the previous section, the findings are presented as follows.

- The types of bulk cargos that have been shipped in charter vessels for the last 11 years are coal, fertilizer, wheat, malt, sugar and steel. Based on the data total bulk cargo shipped by chartered vessels showed fluctuation increase from 2012G.C up to 2016 G.C then decline from 2016 G.C up to 2019 G.C while increases in 2020 G.C and decline in 2021&2020 G.C
- Due to having good vessel schedule with the voyage planning, provision of affordable freight rate, having better knowledge about the shipping terms and conditions, good communication, availability of international cargo suppliers and government support most of the trends of bulk cargos shipped in Ethiopia were being showed progress from year to year.
- There are about three types of chartering are being practiced in ESLSE such as voyage charter, time charter and the contract of affreightment. And also ESLSE can shipped bulk cargos where ever the market there (except the sanction countries) through charter in and charter out using slot and own vessels with in a single charter party. ESLSE is being both as a charterer and ship owner.
- ESLSE chartered out the two tankers because, the Ethiopian Petroleum Supply Enterprise had an agreement with other international petroleum suppliers before the tankers built. And also the agreement of Ethiopian Petroleum Supply Enterprise and the international petroleum suppliers was continued for several years. Due to that, ESLSE also had been an agreement to charter out the tankers with different international shipping companies
- ESLSE chartered out vessels due to different reasons such as:-the own vessels are small in size and it is easy to manage in transporting any permitted cargo it preferred by charterers, and if there is low liner cargo demand in the market, the enterprise chartered

out the vessels not to being idle. The benefits of chartered out vessels are to cover the vessels round cost, to seek profit and to support the national interest. /as a company got foreign currency/

- ESLSE chartered in vessels, due to slot vessels have high load capacity, are specialized vessels, availability of port services, well scheduled and more flexible. The most common challenges that are hindered the ship chartering practices are: - bad weather condition, port/birth congestion, fluctuation of international freight rate, weak ICT infrastructural development, fluctuation of cargo demand and supply, problem of decision making and cargo/vessel delay, as a researcher these challenges may cause financial risk, social risk and legal risk for a charterer, cargo receiver as well as for ship owner.

5.2. Conclusions

Based on the findings the conclusions are mentioned on below so as to improve the shipping chartering practices and challenges in Ethiopia Shipping and Logistics Services Enterprise.

This study aimed to assess the ship chartering practices and challenges of Ethiopian Shipping and Logistics Services Enterprise. The related theoretical literatures, government policy directions and its effect on ESLSE, strategic customer response analysis from shipping industry perspective and its impact from long term short term benefits for ESLSE as well as from the country at large and empirical studies issues were incorporated in this study to provide a theoretical basis for the development of the research.

The key forms, practices and challenges related to the operations of ship chartering are identified as follows:-

- As per the collected data, the most common chartering types that are being practiced in the world are the voyage charter, the time charter, demise charter, consecutive charter and the contract of affreightment. The chartering practice depends on the market demand, ships type & depends on comparative advantage ship owner or cargo owners. The key chartering types that are being practiced in ESLSE are the voyage charter, the .time charter and the contract of affreightment.
- As the researcher concluded that, the main reasons why the tankers charter out are:- the agreement both the enterprises had before the tankers built, absence of having technical

license to manage the vessels, less load capacity of the tankers, less commitment in decision making and the type of Incoterms used.

- The result also indicated that the main challenges that are hindered the ship chartering practices are: - bad weather condition, port/birth congestion, fluctuation of international freight rate, weak ICT infrastructural development, fluctuation of cargo demand and supply, problem of decision making, cargo/vessel delay, government intervention, LC permission problem, improper vessel schedule, delay of operation during loading and discharging, delay of insurance claim process, shortage of well-trained experts related to shipping and chartering, misunderstanding of the charter party agreement and delay in decision making and communication.
- the above problems described by external customers is not due to ESLSE inefficiency the companies should consider the overall cost of each shipments which is more than they paid to ESLSE regarding negative externality problems such as weather condition or port congestions which is beyond any shipping lines control. As a landlocked country vessel schedule & delays of loading and discharging problems should be addressed through continuous follow up & setting alternative mechanisms. Awareness creation training to our strategic customer on chartering terms & conditions and on problems related to demurrage or dispatch settlement delays in addition to that creating work visit for decision makers to their specific shipments to understand the actual work flow & the effort that has been done by ESLSE staffs. The training & workshops are important to have access to detailed, reliable information & analysis on the dynamics & trends of the shipping industry and its impacts in the country at large.
- In addition to that since all the above shipment are government purchase and strategic shipments they have macro level impact to the country or strategic shipments they affect the public at large due to their multiplier effect for example if price for fertilizer or petroleum increases it increases the price of food items & cost of transport which affects the public at large. Besides the foreign currency shortage & balance of payment deficit is long term problem of the country since our economy is highly dependent on imports due to that protecting such strategic companies will help to stabilize the macro economy & increase saving of foreign currency as a nation. The other main problem is that foreign shipping companies give a lower price due to their economic of scale advantage and to eliminate the

ESLSE from the market once they control the market they will set the price to increase their profit margin since we will not have an option these practically done in Kenya and some African countries. Therefore the lower freight rate given by the foreign companies is short term benefit & to exclude ESLSE from the market.

- Regarding incoterms FOB and CIF for this paper FOB agreements to be cheaper and more cost effective because buyers have more control over choosing shippers and insurance limits while CIF contracts are more expensive since seller has more control. But most of this strategic purchase is CIF which affects the country in terms of cost & foreign currency reserves since sellers will invoice buyers for their costs of shipping and insurance. In this regard ESLSE should assess, compare & analyze the effects of FOB and CIF and its positive impacts to the macro economy to convince policy makers, relevant stakeholders & its impacts of further decisions on the company's future & sustainability.

5.3. Recommendations

The purpose of the thesis is to assess the ship chartering practices and identify challenges related with chartering activities of Ethiopia Shipping and Logistics Service Enterprise. And also to forward suggestions and recommendations which can help to solve the process problems and ensure effective chartering. Based on the study results and conclusions drawn above, some recommendations are proposed as a means of alleviating the problems found.

- Based on the response improving integrated ICT infrastructure should be necessary to update ships status & update information about shipments to strategic customers and ESLSE decision makers this will reduce customers complain , easily identify problems & make appropriate decisions on time. Improve vessel schedule implementation and better coordination with internal & external customers to increase market share & competitiveness.
- From Internal staff replies we understand that capacity building trainings will be necessary to improve effectiveness of staffs this should include international charter party agreements, concepts & terms in which areas should be focused based on the nature of specific shipment. Providing awareness creation & trainings on chartering clauses, terms & conditions prepare work visit to strategic customers in order to narrow the gap

- By creating strategic partnership with large shipping companies & improved ICT infrastructure ESLSE increase negotiation skill and capacity with ship owners , charterers & cargo owners, reduce weather condition forecast problems, freight rate fluctuations , update information about market & price decision making, improving market share and determine repair & maintenance time schedules.
- Awareness creation to government decision & policymakers, providing technical assistance to strategic customers on charter party agreements, incoterms which determines payment modalities, liabilities & Claims to any specific shipments.
- By benchmarking huge shipping companies ICT utilization, human resource manning structure, main duties and responsibilities in chartering & marketing activities redefine ESLSE redefine job descriptions, skill gaps & appropriate capacity building trainings in cost effective manners. Upgrading inter organizational communications.

Lastly, in order to address the challenges of ship chartering practices & the strategic importance of ESLSE the government should give emphasis on its policies & strategies on 10 years economic plan to privatize state owned enterprise & its impacts on short & long term effects to macro economy the country.

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Appendixes

Part I: Demographic Profile of the Respondents

General Information

Please put a tick mark (v) on the appropriate response category:

1. Gender
 - Male
 - Female
2. Age
 - 20 - 30 years old
 - 41 - 50 years old
 - 31 - 40 years old
 - above 50 years old
3. Education level
 - College Diploma
 - Bachelor Degree
 - Master's Degree
 - PHD & Above
4. Customer Type
 - Internal customer
 - External Customer
5. Current position in the organization
 - Senior Expert
 - Coordinator
 - Manager
 - Director
6. Years of experience in the organization
 - Less than 2 years
 - 2 - 5 years
 - 6 - 10 years
 - above 10 years

Part II. Interview Questions for Internal Customers

1. What are the forms of chartering and charter parties being practiced in ESLSE and globally? Explain it further
2. What are the types of chartering and the charter parties are being practiced in ESLSE?
3. Why the tankers chartered out? What is the main problem ESLSE handle the Ethiopian Petroleum Supply Enterprise Market?"
4. Why ESLSE chartered in or out vessels? Explain the reasons and advantages and disadvantages?"
5. What are the types of bulk cargos trading through chartering in ESLSE
6. How do you see the trend for bulk cargo volume & type during the last 11 years?
7. What are the main internal and external challenge ship chartering practice as ship owner and charterer?"
8. As an organization, what do you suggest to plan regarding the ship chartering for future
9. As a chartering team such as manager, coordinator, senior officer do you get on Job Training?
10. As a chartering staffs are easily understand the contact agreements, technical terms conditions and act accordingly?
11. How do you measure ICT infrastructure & Utilization of ESLSE in Chartering & marketing activities its contribution to decision making?

Part III. Interview Questions for External Customers

- 1) What type of bulk cargo your organization ship chartering?
- 2) When was started the charter shipment with ESLSE? What about before? If why you choose it?
- 3) What are the main internal challenges of chartering?
- 4) What are the main challenges in the shipping process and with valuable recommendations?
- 5) How do you see the price charged by ESLSE for chartering service?
- 6) Which type of purchase do you prefer Fob or CIF & what are the benefits?
- 7) Which areas of ESLSE chartering service you need assistance & improvement?
- 8) How do you rate ESLSE service in terms of time, cost & quality?
- 9) Do you have any additional comments regarding the bulk cargo shipments?