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Chartering, laytime and vessel demurrage

Voyage, time and bareboat charters; the clock that starts with the NOR; how demurrage and despatch are calculated.

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Online interactive version: **https://ozgurkonakci.com/en/guide/chartering-laytime-demurrage/**

SHORT ANSWER

Under a voyage charter the charterer is allowed a set time for loading and discharging: laytime. It starts after a valid notice of readiness (NOR) and any notice time in the charter party; exceptions such as weather or holidays are deducted as the charter party provides. If the time used exceeds laytime, the charterer pays the owner vessel demurrage at the agreed daily rate; if operations finish early and the charter party provides for it, the owner pays the charterer despatch.

What is chartering?

In container shipping, cargo is booked onto a ship running a published schedule. For bulk cargo, project cargo or large parcels, the ship itself can be **hired**. The contract governing this is the **charter party**; the party hiring the ship is the **charterer** and the ship's owner or operator is the **owner**.

Three basic charter types

	Voyage charter	Time charter	Bareboat charter
What is hired?	Carriage of a given cargo between given ports	The ship, for a period	The ship without crew, for a period
Who runs the ship?	Owner	Owner (crew and technical management); the charterer directs commercial use	Charterer (crew, maintenance, operation)
Voyage costs	Usually the owner; cargo handling may pass to the charterer under the wording	Charterer (e.g., bunkers and port charges)	Charterer
Payment	Freight	Hire, usually at a daily rate	Hire
Example standard form	GENCON	NYPE, Baltime	BARECON

There is also the **contract of affreightment (COA)**: an agreement to carry a set quantity of cargo over a period, in several shipments and possibly on different ships.

Laytime and demurrage matter most under **voyage charters**. Under a time charter the charterer already pays daily hire, so a ship waiting in port is using the charterer's own time.

Laytime: the time allowed for loading and discharging

Under BIMCO's laytime definitions, **laytime** is the agreed period during which the owner keeps the ship available for loading or discharging without payment beyond the freight. It can be set in two ways:

- **A fixed period:** e.g., "4 days for loading".
- **By rate:** cargo quantity ÷ daily rate. For example, 30,000 t ÷ 6,000 t per day = **5 days (120 hours)**.

The charter party also says whether loading and discharging times are calculated separately or together (reversible).

NOR: when does the clock start?

When the ship has arrived at the port or berth and is ready to load or discharge, the master or agent gives a **notice of readiness (NOR)**. Laytime starts after that notice, according to the charter party.

Under **GENCON 94** (cl. 6(c)), for example:

- If NOR is given **up to 12:00**, laytime starts at **13:00 the same day**.
- If NOR is given **after noon within office hours**, laytime starts at **06:00 the next working day**.

Other forms have different rules. An invalid or premature NOR can put the whole calculation in dispute, which is why the timing and conditions of the NOR are among the most contested points.

Exceptions: what time does not count?

The charter party can exclude some periods from laytime. For example:

- **Weather:** where "weather working days" are used, time lost to bad weather is deducted. BIMCO's definitions include different versions, some deducting time pro rata and others deducting the actual time lost.
- **Sundays and public holidays:** not counted if the charter party excepts them.
- **Stoppages not caused by the charterer:** as the charter party provides (e.g., the ship's own breakdown).

Every event in port (arrival, NOR, berthing, start, stoppages, completion) is logged hour by hour in the **statement of facts (SOF)**. The laytime calculation is based on it.

Demurrage and despatch

- **Vessel demurrage:** the agreed amount the charterer pays the owner for time after laytime expires, where the delay is not the owner's fault. It is expressed as a daily rate, with part days counted pro rata.

- **"Once on demurrage, always on demurrage":** once the ship is on demurrage, laytime exceptions (Sundays, holidays, bad weather) no longer apply; unless the charter party says otherwise, demurrage runs continuously.
- **Despatch:** the amount the owner pays the charterer when operations finish before laytime expires, if the charter party provides for it. The rate is set in the charter party; half the demurrage rate is commonly agreed in practice. Despatch may be calculated on "all working time saved" or "all time saved", which give different results.

Do not confuse vessel demurrage with **container demurrage**, which arises when a container stays at the terminal beyond free time. Container demurrage and detention have their own guide topic.

Laytime calculator



Step	Calculation	Result
Laytime allowed	30.000 t ÷ 6.000 t/day = 5 days	120 h
Gross time	2 Mar 13:00 → 8 Mar 09:00	140 h
Exceptions	Time stopped by rain (example)	– 8 h
Time used	140 h – 8 h	132 h
Excess	132 h – 120 h	12 h
Demurrage	12 h ÷ 24 × 12.000 USD/day	6,000 USD

Result of the worked example: 30,000 t at 6,000 t per day gives **120 hours** of laytime. Laytime started on 2 March at 13:00 and operations finished on 8 March at 09:00: **140 hours** gross. An 8-hour rain stoppage was excepted, so the time used is **132 hours**. The excess is 12 hours: 12 ÷ 24 × USD 12,000 = **USD 6,000** demurrage. The values are illustrative and not taken from a real charter party.

Test yourself

1. Under a time charter, who usually pays for bunkers? *(Answer: The charterer.)*
2. Under GENCON 94, NOR was given at 10:30. When does laytime start? *(Answer: At 13:00 the same day.)*
3. Is a Sunday that falls after the ship is on demurrage deducted? *(Answer: Usually not; "once on demurrage, always on demurrage".)*

Frequently asked questions

When does laytime start?

When the vessel has arrived at the port or berth and is ready to load or discharge, a valid notice of readiness (NOR) is given; laytime then starts according to the charter party. Under GENCON 94, for example, if NOR is given up to 12:00 laytime starts at 13:00 the same day, and if it is given after noon within office hours it starts at 06:00 the next working day.

What does "once on demurrage, always on demurrage" mean?

Once laytime has expired and the vessel is on demurrage, the laytime exceptions (Sundays, holidays, bad weather and so on) no longer apply; unless the charter party says otherwise, demurrage runs continuously.

Is despatch always half the demurrage rate?

No, the rate is set in the charter party. Half the demurrage rate is commonly agreed in practice; if the charter party does not provide for despatch, the owner pays none.

Is vessel demurrage the same as container demurrage?

No. Vessel demurrage is what the charterer pays the owner under a charter party when laytime is exceeded. Container demurrage is a daily charge paid to the carrier when a container stays at the terminal beyond free time.

SOURCES

BIMCO — Laytime Definitions for Charter Parties 2013 (definitions of laytime, NOR, weather working day, demurrage and despatch) — https://bimco.org/media/qy2neqim/laytime-definitions-for-charter-parties-2013-v2.pdf
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