

What are Worldscale freight rate schedules

The concept of freight rate schedules is over 40 years old and originated during the 1939-1945 war.

Before the war, rates of freight for tanker voyage charters were expressed in dollars or shillings and pence per long ton (there were twenty shillings to a pound, 12 pence in a shilling) and this meant that when a charterer required wide loading or discharging options it was necessary to agree many rates of freight.

During the war, first the British government and later the US government requisitioned shipping and Owners received compensation on the basis of a daily hire rate.

However, from time to time, the governments were able to make requisitioned tankers available on a voyage basis to the major oil companies for their private use particularly during the period from the end of hostilities until control of shipping was relinquished. On such occasions, the oil companies paid freight to the government concerned and the rate of freight, which was dependent upon the voyage performed, was determined in accordance with a scale or schedule of rates laid down by that government.

The rates were calculated so that, after allowing for port costs, bunker costs and canal expenses, the net daily revenue was the same for all voyages.

Here then was the genesis of the principle for tanker rate schedules, namely the Owners should receive the same net daily revenue irrespective of the voyage performed.

The last schedule of tanker voyage rates to be issued by the British Ministry of Transport gave rates effective 1st January 1946 and this schedule became known simply as "MOT". Similarly, the last rates to be issued by the United States Maritime Commission, which took effect from 1st February 1946, became known as "USMC".

In fact, government control of shipping continued until 1948 and by that time the tanker trade had come to recognise the advantages of freight rate schedules and therefore, in the free market, the system evolved of negotiating in terms of MOT or USMC plus or minus a percentage as dictated by the demand/supply position in the market.

Between 1952 and 1962 a number of different schedules were issued as a service to the tanker trade by non-governmental bodies; Scales Nos. 1, 2 and 3 and then Intascale in London, ATRS in New York.

Then in 1969 there came the joint London/New York production issued to replace both Intascale and ATRS called the "Worldwide Tanker Nominal Freight Scale", more usually known under its code name "Worldscale".

The full name is mentioned because it provides the opportunity to stress the word "nominal" and to emphasize that it was only during the period of government control that the schedule rates were intended to be used as actual rates. Subsequently, it has been freely negotiated percentage adjustments to the scale rates that has determined the actual rate used for the payment of freight.

Incidentally, with the introduction of Worldscale, it became the custom to express market levels of freight in terms of a direct percentage of the scale rates instead of a plus or minus percentage. This method is known as "Points of Scale" and thus Worldscale 100 means 100 points of 100 per cent of the published rate or, in other

words, the published rate itself, sometimes referred to as Worldscale flat, while Worldscale 250 means 250 points or 250 per cent of the published rate and Worldscale 30 means 30 points or 30 per cent of the published rate. Under the older method these would have been referred to as plus 150 per cent and minus 70 per cent respectively.

During its life span, from September 1969 until the end of 1988, Worldscale was regularly revised for changes in bunker prices and port costs but the fixed daily hire element of \$1,800 remained constant.

Finally, to bring the story up to date, "New Worldscale" was introduced with effect from 1st January 1989. However, in deference to the custom that emerged in the trade, the epithet "new" was soon dropped and now it is generally understood that "Worldscale" refers to the new scale, while the previous scale is called "Old Worldscale".

Until the introduction of Old Worldscale, the various scales issued in London were all based on the old MOT rate of 32/6d (thirty two shillings and six pence) for the voyages Curacao to London. Indeed, the daily hire element of \$1,800 used for Old Worldscale was indirectly related to that rate in so far as this, at the rate of exchange of £1/\$2.40 (as applied in 1969), was close to the sterling hire rate for its immediate predecessor Intascale.

It was only when a replacement for Old Worldscale was being considered that systematic attempt was made to establish, by a series of lengthy exercises, the size of standard vessel and the relevant daily hire element that would provide the best practicable basis for a scale. It was concluded, from the results of these exercises, that a standard vessel with a carrying capacity of 75,000 tonnes and a daily hire element of \$12,000 was likely to provide such a basis for a scale to be used during the 1990s.

Both Worldscale are the joint endeavour of two non-profit making organisations known as Worldscale Association (London) Limited and Worldscale Association (NYC) INC. NYC standing of course for New York city. Each company is under the control of a management committee, the members of which are senior brokers from leading tanker broking firms in London and New York respectively.

Worldscale is available on a subscription basis and the annual fee entitles the subscriber not only to the schedule itself but also to notices of all amendments and the right to request rates for any voyage not shown in the Schedule.