
DMET Alumni Technical Meeting

TECHNO-COMMERCIAL ASPECT OF SHIP MANAGEMENT

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PERSPECTIVE OF A SHIP – TECHNICAL VS COMMERCIAL

Technical Manager

- Year built/ Age of the ship.
- Building yard location.
- Choice of Equipment.
- History / Past Performance.
- Condition of the ship.

Commercial Manager

- Deadweight
- Draft
- Speed
- Consumption.
- Cargo flexibility.

ROLE & RESPONSIBILITY

Technical Manager

- Protecting Owner's interest and liability.
- Developing processes for ensuring consistency in operations.
- Creating and/ or adding value in the business.
- Optimizing usage of resources and revenue maximization.

Commercial Manager

- Positioning the vessel for highest revenue stream.
- Maximize Cargo Intake.
- Continued employment of the ship.
- Route with minimum disruptions and minimum insurances.

PERFORMANCE INDICATORS

Technical Manager

- OPEX or Daily Running Cost.
- Rightship/ Vetting/ Rating of the vessel.
- Reliable DOC score or market reputation of the Manager.

Commercial Manager

- Ton-mile (usage of the vessel).
- Freight revenue per Ton-mile
- USD per ton-mile (efficient operation).

DEPENDENT VARIABLES

Technical Manager

- 60% of the OPEX is related to crew salary (read as – supply and demand), etc. and therefore beyond the control of the Managers.
- Cost of money to be taken into account when OPEX being considered and varies due to interest rate, industry specific and financial arrangement of the owners.
- Crew remains a weak link and their action/in-action affects the rating/ reputation of the vessel and the Manager.

Commercial Manager

- Geo-political situation and the fall-out causes market fluctuation and related cost changes.
- Freight is market driven and supply/demand based. Extremely hard to predict the market and therefore control the revenue stream – both Ton-mile as well as Revenue/ Ton- Mile.
- Cost of bunker has a huge impact on the Gross profit from the voyages and the earnings.

THE CONVERGE: TECHNO-COMMERCIAL

Interdependence is the key.

Technical Manager's
contribution towards
Commercial
Management:

- Add Reliability and not Risk.
- Become efficient and not inexpensive.
- Cut cost but do not cut corners.
- Concentrate on Critical to Quality (CTQ) and not only Critical to Customer (CTC)/

Commercial Manager's
contribution towards
Technical
Management:

- Do not mute alarms - Listen to the experts.
- Treat OPEX as Cost of Quality (COQ) since Cost of Poor Quality (COPQ) has deep rooted repercussions in the shipping industry – both external failure costs and internal failure costs.

EU-ETS AND CII (COMMON FRONTIER)

- An opportunity driven by environmentalist and regulators bringing the teams together.
- Vessels need to be efficient for them to be tradable. Optimization of OPEX to ensure reliable operation and Low USD/ ton-mile operator would be the winner. Need to pull in the same direction.
- Investment in technology alone would not help the commercial operator – investment in good quality people onboard to achieve desired operational efficiency would be the key in the early days.
- There is only side – positive EBITA and reliable operation.



THANK YOU.