

SALVAGE IN THE 21ST CENTURY



Dublin 2008

**DO YOU PERCEIVE THE LOF
SYSTEM TO BE FAIR TO ALL
PARTIES?**



JAN 1993 TO SEP 2008

1,743 new LOF cases advised to Lloyd's

464 cases went to arbitration = **26.60%**

201 cases went to appeal = **43.32%**

JAN 1993 TO SEP 2008

Total Salvaged Values

\$ 4,018,300,000

Total Awards

\$ 448,180,000

11.15% of Salvaged Values

The Costs of Salvage

By

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International Salvage Union

DEFINITION OF SALVAGE

International Maritime Organisation's Definition:

“A voluntary response to a maritime peril by other than the ship's crew, and from which the ship or property could not have been saved without the effort of the salvor.”

Parties to a Salvage Operation

The Salvor

Ship Owner

Master of the Casualty

Cargo Owner

Property Underwriters

Coastal State Authorities
authority

Coastal State Authorities

The Public

Liability Underwriters

Surveyors & Lawyers

The Media

Flag-state

ASSETS





**INTERNATIONAL
SALVAGE UNION**



Skilled personnel



Cost of Investment



Elements of Salvage Costs

TUGS

MORE TUGS!

PUMPING SYSTEMS

GENERATORS

CRANES

SHEERLEGS

COMPRESSORS

POLLUTION RESPONSE

EQUIPMENT

OTHER “SMALL STUFF”

- **SALVAGE MASTER**
- **DIVERS**
- **MECHANICS**
- **LABOURERS**
- **SPECIALISTS**
- **OUTSIDE HELP**
- **OFFICE BACK UP**
- **SHORE PERSONNEL**
- **TRANSPORT**
- **FINANCE**
- **TRAINING**

Working out Costs

Example for a large AHT:

Replacement cost	\$35,000,000
Daily cost, say:	\$17,000
Finance cost, say:	\$ 1,500
Crew Costs:	\$ 6,000
Maintenance:	\$ 1,000
Fuel/Lubs:	\$ 6,000
Operating Cost	<u>\$ 31,500</u> plus
Market Rates?	
Opportunity Cost	

How Useful is Scopic?

- **Pre-Agreed daily rates**
- **Does not reflect whole cost**
- **Not applicable in pure salvage**
- **No reflection of risk**
- **Does not take into account peril/sacrifice**
- **No weighting for attributable benefits**

**NOT REALLY USEFUL IN ATTRIBUTING
COSTS!**

SO WHAT DOES IT COST?

Capital cost
Replacement cost
Storage

Maintenance

Transport

Labour

- **Other Factors:**
- **Pollution defences**
- **Staff training**
- **Site costs**
- **Cost of compliance**
- **Utilisation %age**
- **Research**

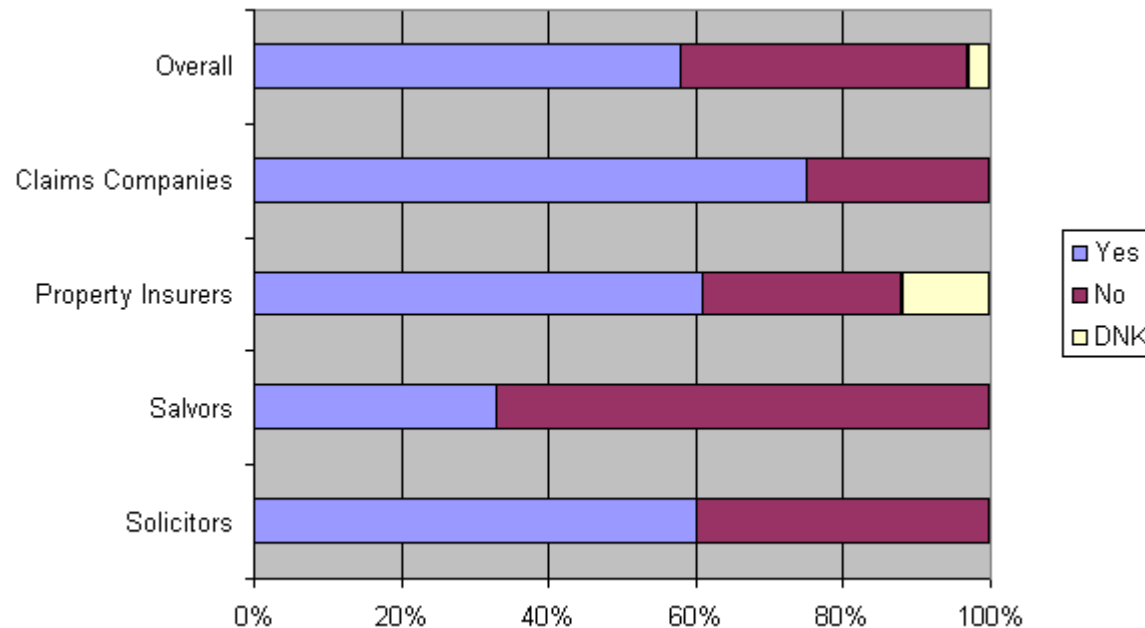
The tip of the iceberg



SHOULD THE PARTIES BE ALLOWED TO MAKE SUBMISSIONS ON QUANTUM?



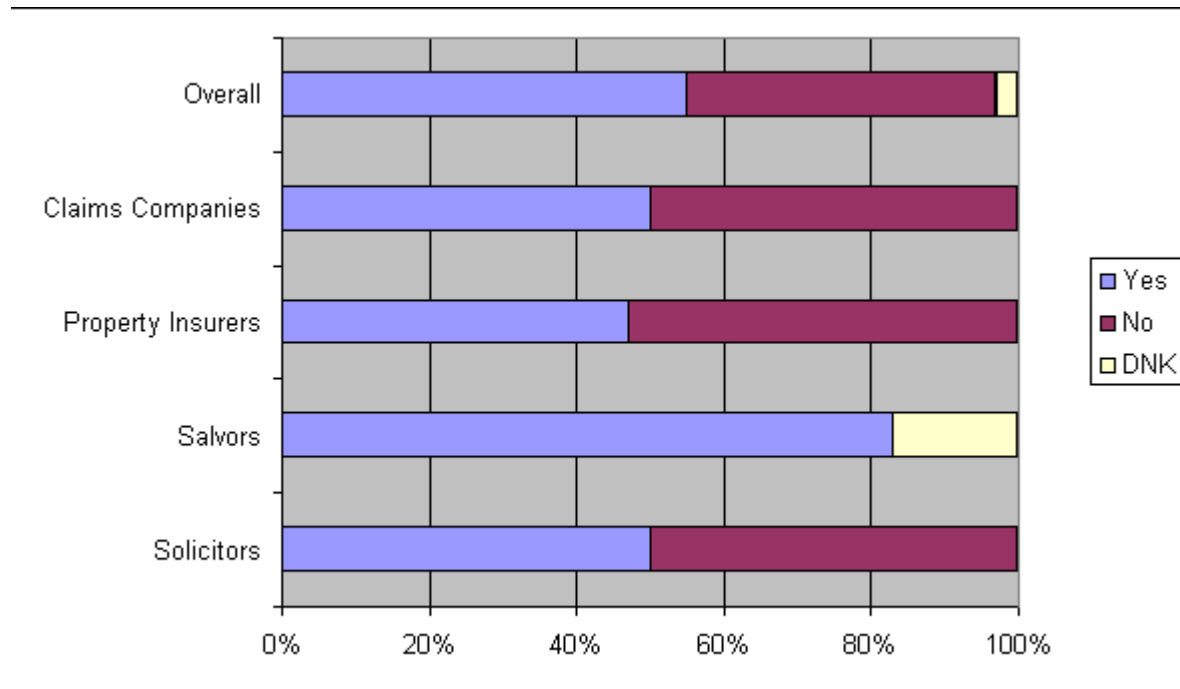
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SHOULD ARBITRATORS BE DRAWN ONLY FROM THE ADMIRALTY BAR?



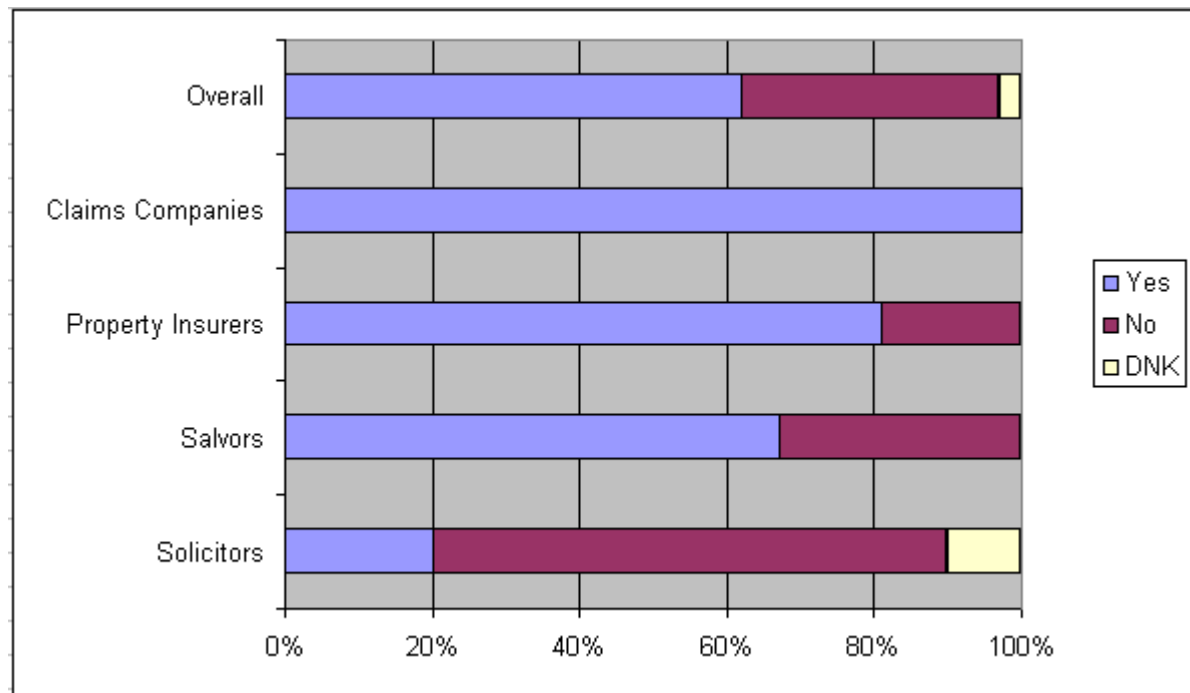
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SHOULD THE PRACTICE OF PREVENTING ARBITRATORS FROM ACTING AS COUNSEL IN LOF CASES CONTINUE?



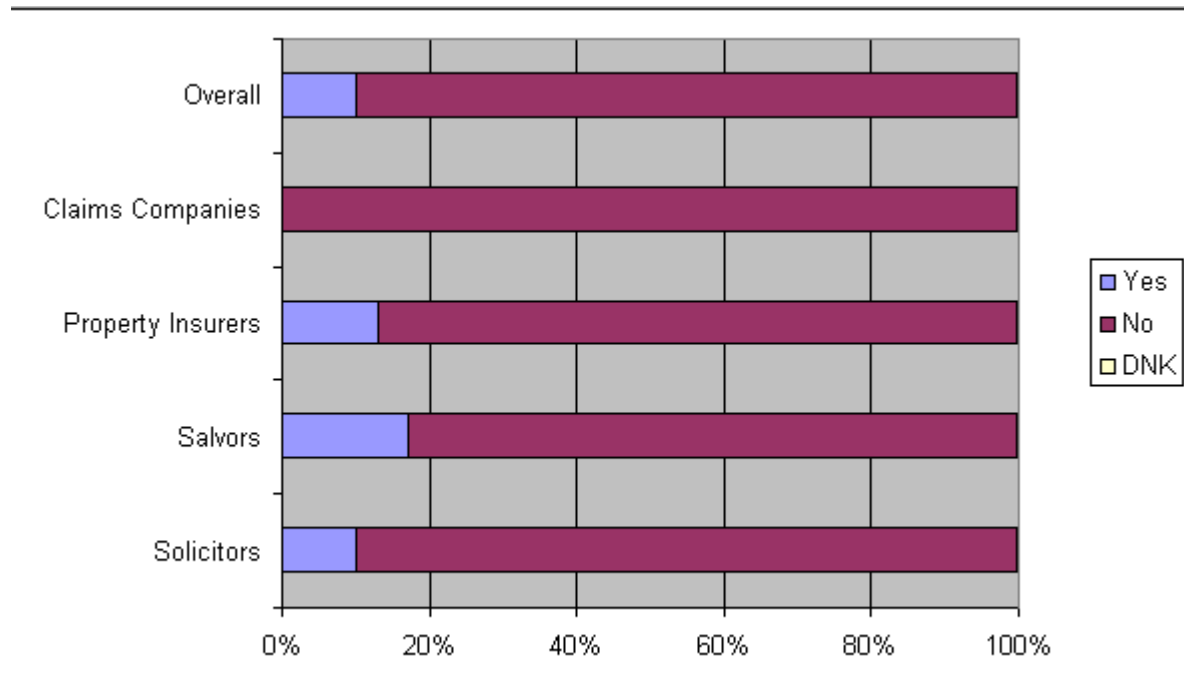
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SHOULD AN APPEAL BE LIMITED TO POINTS OF LAW?



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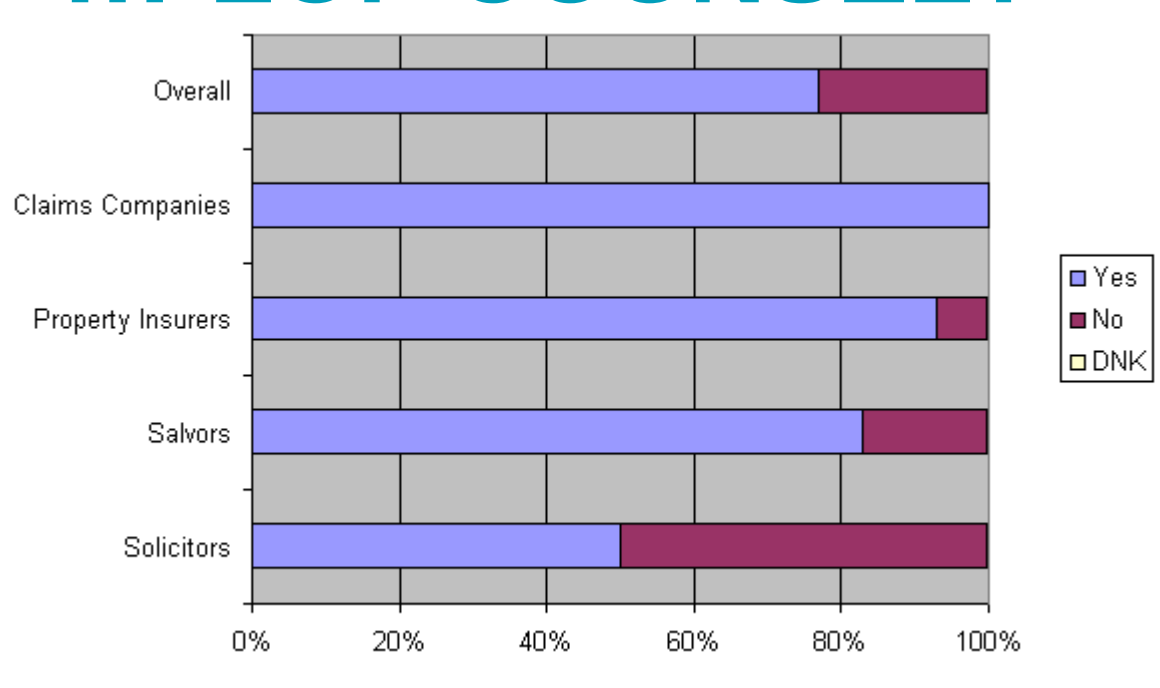
**SHOULD DETAILS OF AWARDS BE
MADE AVAILABLE TO:**

... LOF COUNSEL?

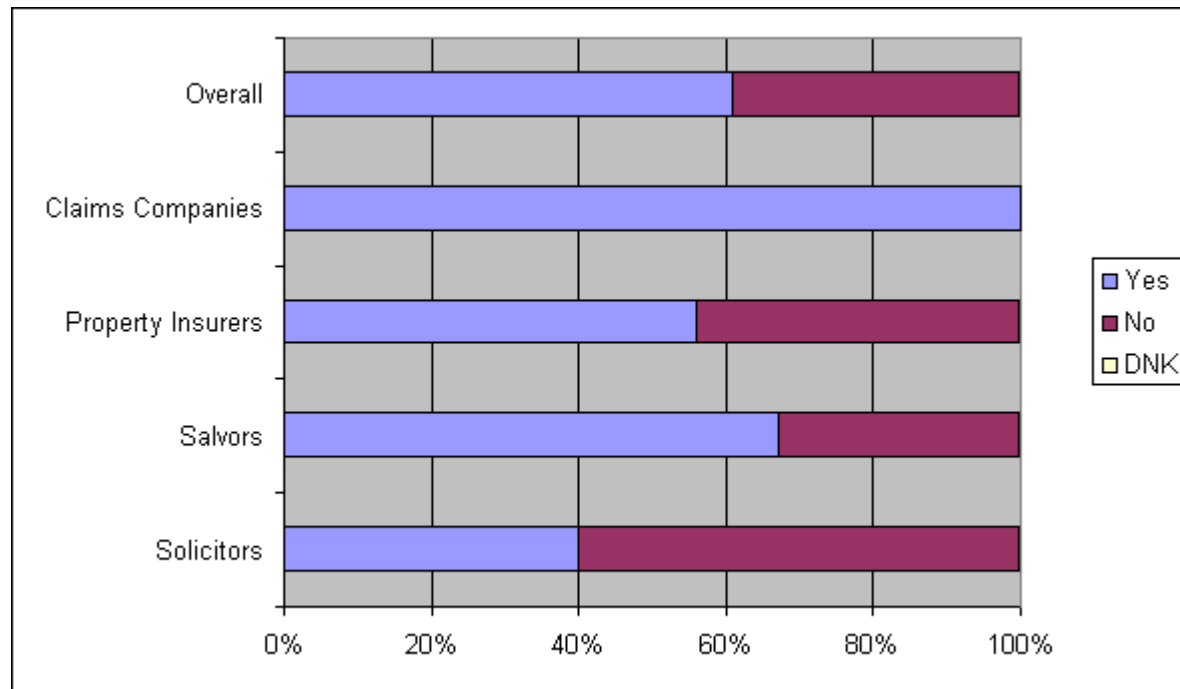
**... LOF SOLICITORS (under
confidentiality agreement)?**



SHOULD DETAILS OF AWARDS BE MADE AVAILABLE TO: ... LOF COUNSEL?



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