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LOF salvage remuneration - Art. 13

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What is 'Article 13'?

Context

International Salvage Convention '89

- Principles of salvage law
- 63 State Parties
- Incorporated in local law

Lloyd's Open Form 2011

- Contract designed for emergencies
- Lloyd's Standard Salvage and Arbitration Clauses (LSSA)
- Lloyd's Procedural Rules
- English law & Lloyd's Salvage Arbitration

LOF 2011



LLOYD'S STANDARD FORM OF SALVAGE AGREEMENT

(Approved and Published by the Council of Lloyd's)

NO CURE - NO PAY

1. Name of the salvage Contractors: (referred to in this agreement as "the Contractors")	2. Property to be salvaged: The vessel: her cargo freight bunkers stores and any other property thereon but excluding the personal effects or baggage of passengers master or crew (referred to in this agreement as "the property")
3. Agreed place of safety:	4. Agreed currency of any arbitral award and security (if other than United States dollars)
5. Date of this agreement	6. Place of agreement
7. Is the Scopic Clause incorporated into this agreement? State alternative : Yes/No	
8. Person signing for and on behalf of the Contractors Signature:	9. Captain or other person signing for and on behalf of the property Signature:

- A Contractors' basic obligation:** The Contractors identified in Box 1 hereby agree to use their best endeavours to save the property specified in Box 2 and to take the property to the place stated in Box 3 or to such other place as may hereafter be agreed. If no place is inserted in Box 3 and in the absence of any subsequent agreement as to the place where the property is to be taken the Contractors shall take the property to a place of safety.
- B Environmental protection:** While performing the salvage services the Contractors shall also use their best endeavours to prevent or minimise damage to the environment.
- C Scopic Clause:** Unless the word "No" in Box 7 has been deleted this agreement shall be deemed to have been made on the basis that the Scopic Clause is not incorporated and forms no part of this agreement. If the word "No" is deleted in Box 7 this shall not of itself be construed as a notice invoking the Scopic Clause within the meaning of sub-clause 2 thereof.

Lloyd's Open Form - features

No cure no pay

Open contract => operation & reward

- Salvors: Best endeavours to save the property
- Property Owners: provide security & pay salvage remuneration

Why open?

Emergency situation, no time to lose.

If cure then pay

Benefit conferred to Property Owners by Salvors having prevented a loss

This presentation

Art. 13 factors linking the risk and the operation to the remuneration.

Art. 13.1 (a) the salved value of the vessel and other property;

Art. 13.2

One reward paid by property owners in proportion to the value of their property

Salved Fund

- Ship
- Cargo
- Bunkers
- Freight at risk, if any

Assessment salved value

=> Date and place of termination salvage services

Ship: Market value -/- damage

Cargo: Commercial or CIF value -/- damage

Art. 13.1 (a) the salved value of the vessel and other property;

Influencing the reward, how?

- Fixed limit: total salved value
- High value?
 - Does impact, however reward should be proportionate to salvage services,
 - Room for encouragement
- Low value? Limit to the level of the reward
- Rule of moiety? No, each case assessed on its own facts & merits

Art. 13.1 (f) the time used and expenses and losses incurred by the salvors;

- Out of Pocket-expenses or third party costs
- Reasonable costs
- Best endeavours vs reasonable expenses

- Not personnel, own equipment, own vessels => Input Art. 13 (e) and (i)

Art. 13.1 (b) the skill and efforts of the salvors in preventing or minimizing damage to the environment;

Tanker

- grounded in Norway
 - in ballast
 - Hull ruptured
 - Part of bunkers spilled
 - Salvage services:
Balance removed by Salvors, refloating
- => Further spill prevented



Art. 13.1 (c) the measure of success obtained by the salvor;

No cure – no pay

Property salvaged and redelivered => success

Role of measure of success?

Example

Grounding, lightering required, but Salvage Master succeeds to refloat the ship instantly without lightering

=> Duration and expenses limited and delay in cargo to destination minimised.

Art. 13.1 (d) the nature and degree of the danger;

Nature

- Immobilisation
- Progressive damage
- Total loss

Degree

- Imminent
- Medium
- Long term

Immobilised until professionally assisted



Immobilised until professionally assisted & Risk to progressive damage



Risk of total loss



Art. 13.1 (d) the nature and degree of the danger;

Other risks

- Collision
- Explosion
- Authority interference?

Future?

English law: yes

Example: Poor weather after refloating

Alternative assistance?

Art. 13.1 (e) the skill and efforts of the salvors in salving the vessel, other property and life;

Efforts

undertaken to save the property

Salvage personnel

- Skilled for salvage or not?
- Available 24/7 worldwide?
- Trained continuously purposely for emergency response?
- Special skills, fifi, underwater welding, diving in confined spaces



Art. 13 (g) the risk of liability and other risks run by the salvors or their equipment;



Art. 13.1 (h) the promptness of the services rendered;

Yes or no prompt response

- Mobilisation
- Inspection
- Operation

Art. 13.1 (i) the availability and use of vessels or other equipment intended for salvage operations;

Acknowledgement of professional salvage companies

'Professional' companies dedicated to salvage services

- Dedicated tugs on salvage station?
- Availability of vessels
 - Tugs,
 - Barges,
 - Sheerlegs
- Dedicated salvage equipment available for use 24/7 worldwide?



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Salvage Equipment & Vessels



Art. 13.1 (i) the availability and use of vessels or other equipment intended for salvage operations;

Bracket

- Local tugboat company incidentally assisting a grounded vessel
- Local tugboat company, having outfitted the tugs permanently with salvage equipment, pumps and the master is experienced in towage under extraordinary circumstances
- Offices and warehouses strategically located, responding to an emergency within 24 hrs worldwide

Art. 13.1 (j) the state of readiness and efficiency of the salvor's equipment and the value thereof.

Three elements

State of readiness of equipment

Equipment solely kept and maintained for salvage?

Efficiency

Handy and ready to go?

Value

Market or replacement value of equipment used?

Art. 13

Summary

- Facts and circumstances of each case
- Reward in relation with the benefit Property Owners gained: risk averted & successful work done
- Factors: Small or larger add-on to the reward
- In short: small cases small rewards, big cases bigger rewards



Thank you

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