

FEATURE

Salvage Investment - Who pays?

Last week we reported on the *APL Vanda* grounding, the second grounding of an ultra large container vessel within as many weeks, and we referred to concerns that salvors do not have the resources available to salve such large vessels where simply using tug power is not possible or has been exhausted. We were not blaming salvors but were merely seeking to highlight the continuing issue that as commercial vessels get larger the salvage craft and equipment needed to assist them need to develop and adapt. This issue is not new. As tankers got larger in the 1970s and 1980s there was similar concern raised.

It is a simple fact that further investment is still required to meet the continuing development of larger vessels. The increases in vessel sizes, containerhips especially, has been rapid and it may be that the speed of development has led to a lag in investment, not forgetting the very considerable costs involved. We understand some salvors have developed systems to offload ultra large container vessels but have not built them due to the capital cost. Interestingly we were recently involved in a casualty where the capital investment of the attending craft and equipment was over five times the value of the vessel being assisted.

Some would suggest that salvors already receive sufficient encouragement to invest via salvage awards. It is certainly the case that the 1989 Salvage Convention and Lloyd's Open Form provide a mechanism to encourage investment and salvors who can demonstrate

a commitment to investment should receive due credit in salvage awards (LOF or other). This is also a principle enshrined in English law. However, although there was an increase in LOF contracts last year, there are less LOFs generally year on year and increasingly many LOF agreements are capped or amended. These amended forms give the salvors offering them a commercial advantage over their competitors and also reduce property underwriters' potential exposure to salvage. When considering the bottom line in negotiating responses to a particular casualty, agreeing such caps could be seen as a win win for both salvors and underwriters. However is this potentially a short-sighted approach, on both sides, which may lead to underfunding and under investment?

With less LOF contracts and reduced opportunities for salvors to be credited for investment by way of salvage rewards, are there any alternatives and who should be responsible for the investment? Is it for salvors alone? Most have responsibilities to their shareholders so there is inevitably a balance between investment and profit. Clearly it is important that all those involved, including shipowners, charterers, salvors and marine insurers, work closely together to understand the changing risks and challenges facing the shipping industry in terms of potential casualties and salvage requirements. There is little doubt that the increased sizes in commercial vessels will have brought significant economic advantages and increased profit to owners and operators. Perhaps there should be a

CSCS Indian Ocean

funding process whereby some of the profits derived from operating the larger vessels could be diverted towards salvage investment with levies raised either on ships or cargos to contribute to salvage investment. The debate continues. To assist we understand the ISU is currently trying to compile data on the investment made by its members.

NEW CASUALTIES



HH Johanna/Cosco Europe ▽

HH Johanna - Fully cellular containerhip, IMO 8902541, Built 1991, 67,727 dwt

Cosco Europe - Fully cellular containerhip, IMO 9345415, Built 2008, 109,968 dwt

Date of Casualty 14 February 2016 - Late Notification

Voyage Valencia, Spain to Malta / Valencia to Piraeus, Greece

Cargo General containerised cargo

Type of Casualty The *HH Johanna* broke free of her moorings in Valencia during poor weather and struck the *Cosco Europe*. Tugs from Boluda Maritime assisted her.

Type of Claim Possible limited collision damage and tug claims

P&I West of England / Swedish Club

Wilhelm Krüger ▽

Dredger, IMO 8650124, Built 1941, 2,994 gt

Date of Casualty 16 February



2016 - Late Notification

Type of Casualty Grounded on the IJssel near Kampen whilst under tow to Zuiderzee Port for demolition. Tugs refloated the vessel.

Type of Claim Possible salvage type claim



Lysefjord ▽

Passenger ro-ro, IMO 9381158, Built 2006, 22 dwt

Date of Casualty 17 February 2016

Type of Casualty Ran aground on the west side of Brimse, Norway. The vessel was refloated and towed to Stavanger for survey.

Type of Claim Possible hull damage and salvage claim

Linax Belawan

General cargo vessel, IMO 8661757, Built 2006, 8,294 dwt

Date of Casualty 17 February 2016

Voyage Jakarta to Makassar, South Sulawesi, Indonesia

Cargo No details

Type of Casualty Caught fire off the Maselembo Islands in the Java Sea. All passengers and crew were evacuated. Despite efforts to fight the fire the vessel sank.

Type of Claim Total loss claim



Lady Mary Joy 1 ▽

Passenger ferry (ex-trawler), IMO 9088081, Built 1994, 726 gt

Date of Casualty 18 February 2016

Type of Casualty Ran aground off Bongao Island in the Sulu Sea, Philippines. The vessel had 307 passengers and 38 crew member on board. All passengers were safely evacuated.

Type of Claim Possible hull damage and salvage claim



Further casualties overleaf ▸

Cargo No details

Type of Casualty The *Elbwolf* is suspected of colliding with the other vessels near Tanjung Ayam. The vessel, which has been renamed *Olif* was proceeding to India having been purchased by Indian Breakers, has been arrested by the Malaysian Maritime Enforcement Agency.

Type of Claim Possible collision damage claim

P&I Unknown / Shipowners Club / Gard

Port Olya 3

General cargo vessel with container capacity, IMO 9481910, Built 2011, 5,185 dwt

Date of Casualty 18 February 2016

Voyage Olya, Russia to Iran

Cargo 495 m³ of mill cake and some containers

Type of Casualty Ran aground on the Volga-Caspian Sea Canal 15 nm South-East of Lagan following steering gear failure.

Type of Claim Possible salvage claim

Cavalier III

Tug, IMO 8950811, Built 1956, 451 gt

Date of Casualty 19 February 2016

Type of Casualty Sank off the Paraná River near Goya whilst towing a barge of soybeans.

Type of Claim Total loss claim and possible wreck removal operation

P&I Standard Club

Glard-3

Chemical tanker, IMO 9687992, Built 2014, 6,407 dwt

Date of Casualty 19 February



Roose + Partners

NEW CASUALTIES - Continued - edition (152)

2016
Voyage Mersin, Turkey to Rostov, Russia
Cargo 5,400 m/t of vegetable oil
Type of Casualty Ran aground near to the port of Rostov.
Type of Claim Possible hull damage and salvage type claim

Laerdal ▣

Passenger ro-ro, IMO 9151565, Built 1997, 820 dwt
Date of Casualty 20 February 2016
Type of Casualty Ran aground whilst trying

to dock at Dragsvik in the Sogne Fjord, Norway

Type of Claim Possible hull damage claim



EDT Hercules/Prospero ▣

EDT Hercules - Supply vessel, IMO 9491422, Built 2014, 4,540 dwt
Prospero - Combined chemical and oil tanker, IMO 9212589, Built 2000, 18,119 dwt

Date of Casualty 20 February 2016

Voyage Mukran, Germany to Esbjerg, Denmark / Swinjouscie, Poland to Rotterdam, Netherlands

Cargo n/a / No details

Type of Casualty The vessels were collision on the Kiel Canal at Breiholz.

Type of Claim Collision damage claim

P&I Gard / Swedish Club

Othello

Self-propelled barge, 33,917 ts

Date of Casualty 20 February 2016

Voyage to Forchheim, Germany / Romania to unknown destination

Cargo 2,200 m/t of soy grist / 854 m/t of ammoniumnitrat

Type of Casualty In collision with an unnamed barge on the Main-Danube-Canal near Forchheim.

Type of Claim Collision damage claim

Besiktas Orient ▣

Combined chemical and oil tanker, IMO 9517446, Built 2009, 4,127 dwt

Date of Casualty 20 February 2016

Voyage Great Yarmouth, UK to Saint Nazaire, France



Cargo No details

Type of Casualty Suffered propulsion failure in poor weather. The vessel was towed into Brest by the tug *Abeille Bourbon*, which had proceeded from Camaret.

Type of Claim Possible salvage type claim and/or General Average declaration

P&I Standard Club



Ha Tien 1 ▣

General cargo vessel, IMO 8603236, Built 1986, 7,018 dwt

Date of Casualty 20 February 2016

Voyage Haiphong, Vietnam to unknown destination

Cargo 6,400 m/t of cement

Type of Casualty Suffered flooding in the engine room during stormy weather 38 miles north of Da Nang in the South China Sea. The crew abandoned the vessel.

Type of Claim Possible salvage or total loss claim

P&I West of England



Nuevo Pemex IV ▣

Product tanker, IMO 8308240, Built 1989, 45,705 dwt

Date of Casualty 20 February 2016

Type of Casualty Caught fire in a breakers yard in Veracruz, Mexico.

Type of Claim Fire damage claim

Miss Katie ▣

Tug, No other details

Date of Casualty 20 February 2016

Type of Casualty Grounded on Brigantine Beach, New Jersey, USA with a barge which was carrying construction equipment and a crane after suffering a loss of power. Salvors refloated both the tug and barge.

Type of Claim Salvage claim



Helgafell ▣

Fully cellular containership, IMO 9306017, Built 2005, 10,900 dwt

Date of Casualty 20 February 2016

Voyage Reykjavik and Vestmannaeyjar, Iceland to Immingham, UK

Cargo General containerised cargo

Type of Casualty Lost containers in the North Atlantic. The vessel called into the Faroe Islands to restow containers.

Type of Claim Cargo loss and possible General Average declaration

P&I Skuld

Saputi

Fish factory, IMO 8516809, Built 1987, 750 dwt

Date of Casualty 22 February 2016

Access all our previous casualty newsletters here 

Type of Casualty Holed by ice in the Davis Strait. Canadian and Greenland Search and Rescue teams provided pumps to the vessel which was able to control the ingress and proceed to Nuuk. The loss of the catch is estimated at USD1million and the hull damage is estimated at a similar level.

Type of Claim Hull damage claim

Salvinia

General cargo vessel, IMO 9419084, Built 2007, 10,407 dwt

Date of Casualty 22 February 2016

Voyage Varna, Bulgaria to Mariupol, Ukraine
Cargo No details

Type of Casualty Suffered an engine failure at the northern entrance of the Istanbul Strait. A tug was contracted to tow the vessel to Tuzla for repairs. Coastal Safety tugs are also escorting the vessel.

Type of Claim Possible General Average declaration and/or salvage claim



Aurora Australis ▣

Research vessel, IMO 8712783, Built 1990, 3,011 dwt

Date of Casualty 24 February 2016

Type of Casualty Grounded near Mawson Station after breaking free of her mooring lines during poor weather.

Type of Claim Possible hull damage and salvage claim



CASUALTY FOLLOW-UP

Saloons - edition 61 - the wreck removal of the vessel which capsized in May 2014 at the Cabinda anchorage in Angola, carrying 155 containers and cargo has been completed Koole Mammoet Salvage.

Flinterstar - editions 132, 133, 134, 135, 139 & 140 - the Court of Appeal in Ghent has determined that the vessel owners and charterers must pay for the costs of the wreck removal. This must be completed within 2.5 months failing which a fine of Euro 300,000 Euros per day will be payable. The final schedule, including the date of disposal, is still pending. The costs incurred by the authorities in the clean up the oil and to guard the wreck are estimated in the sum of Euro 1.82 million.

Le Boréal - editions 138, 139, 142, 147 & 151 - the cruise ship arrived in Genoa on

18 February 2016 on board the Chinese semi-submersible *Kang Sheng Kou*. The vessel will be repaired at the Fincantieri Yard in Ancona with the work estimated to take 12 weeks.

Flinter America - edition 148 - repairs to the vessel have been completed in Rotterdam and the vessel has now headed for Sillamae.

Sea Worker ▣ - editions 149, 150 & 151 - 23 days after the capsize the jackup rig is now free of oil. Work will now concentrate to remove the vessel.

Modern Express ▣ - editions 148 & 150 - the salvors Smit Salvage redelivered the vessel back to the owner Cido Shipping yesterday completing the LOF salvage services. Over the past few days a large amount of water was pumped out of the engine room and from decks 5 and 7.

