GUIDELINES IN CASE OF AVERAGE
List of contents

PREFACE ................................................................. 2
AVERAGE – A GENERAL INTRODUCTION ......................... 4
GUIDELINES IN CASE OF GROUNDING ........................ 6
GUIDELINES IN CASE OF FIRE ................................. 11
GUIDELINES IN CASE OF COLLISION ......................... 18
GUIDELINES IN CASE OF ENGINE FAILURE ................. 20
GUIDELINES IN CASE OF TOWAGE ........................... 24
GUIDELINES IN CASE OF OTHER INCIDENTS ................. 26
  8.1. Collision with fixed installations ....................... 26
  8.3. Heavy weather damage .................................. 26
  8.5. Damage caused by stevedores ......................... 27
EXAMPLES ............................................................... 29
  A) Letter of liability in case of collision .................. 29
  B) Letter of liability for damage caused by stevedore ..... 30
  C) Protest .......................................................... 31
  D) Average Bond ................................................. 32
  E) Lloyd’s Standard Form of Salvage Agreement No Cure - No Pay .... 35
    Scandinavian Salvage Contract No Cure - No Pay ........ 35
  F) Amicable settlement ........................................ 36
  G) Receipt for work performed ............................... 37
DEFINITIONS OF INSTITUTIONS AND CONCEPTS IN CONNECTION WITH AVERAGE ........................................................................ 38
PREFACE

In view of the many cases of average, minor as well as major, the Marine Insurance Committee has decided to publish a revised version of GUIDELINES IN CASE OF AVERAGE. The guidelines are intended as a tool for shipowners’ masters in case of average.

The guidelines do not reflect an intention to draft rules on how to navigate the vessels. However, when pointing out areas requiring attention, it does seem appropriate to mention some of the general causes of average based on the experience of the underwriters.

GENERAL CAUSES OF AVERAGE

Grounding
Too few and inadequate observations.
Failure to use the vessel’s navigation equipment.
Failure to take account of the sets of currents.
Reluctance to reduce speed in unfamiliar waters and uncertainty with regard to the vessel’s position.
Poor bridge discipline.
(See section 3).

Fire
Lack of caution when smoking.
Inadequate inspection in the engine room with regard to oil spills and leaks in oil piping systems in connection with inadequate insulation of hot surfaces.
Self-ignition.
Insufficient soot blowing.
(See section 4).

Collision between vessels
Too high speed in fog and reduced visibility.
Failure to give signals.
Inadequate use of radar and information provided by the radar.
Inadequate lookout.
Incorrect use of autopilot.
Suction between vessels.
Poor bridge discipline.
(See section 5).
**Engine failure**
(Cases of engine failure not caused by ‘external factors’ such as stranding, fire, collision – including propeller collision – etc.)
Overload.
Water in the fuel oil system.
Cooling water failure.
Lubricating oil failure.
Leaking oil which is ignited by contact with hot exhaust pipes, etc.
(See section 6).

**Collision with fixed installations**
Failure in reversing gear and/or steering gear caused by lack of attention to wear or defects in the systems.
Insufficient care during harbour manoeuvres.
Failure to use anchors.
(See section 8).

**Heavy weather damage**
Failure to take account of weather conditions.
Ignorance of the vessel's stability situation.
Incorrect distribution of ballast.
(See section 8).

These guidelines are intended for use in various situations. However, the precautions that are to be taken in the individual situation will always be at the master's discretion, cf. Part 2 of the Danish Maritime Act (‘Søloven’).

The 3rd revised edition was issued in 2002 and contains an addition in Section 4 on efforts to limit the extent of secondary damage to technical equipment.

The Marine Insurance Committee
Section 2

AVERAGE – A GENERAL INTRODUCTION

It is of the utmost importance that exhaustive information on the average be notified to the Owners promptly in order for the master to get the best possible assistance.

The Owners must be notified of any incident which has, or which may later be presumed to have, caused damage to the vessel. Anticipated damage should be verified without delay.

If the nature of the damage is such that repairwork must begin immediately, the insurers or their representative must also be notified before the work is initiated. The local average agents – see LIST OF AVERAGE AGENTS – can provide guidelines on repair options, prices and possible quotations. The master should only sign repair bills to certify that the work described therein has been performed. See also section 9 G.

If the damage was caused by a third party (another vessel, crane, stevedore, etc.), such third party shall be held liable in writing for all costs and consequences arising out of the damage, see sections 8, 9 A and 9 B. In such cases, and in cases where damage is sustained by a third party, and if the amount involved is relatively small, it will often be expedient to settle the matter with the opponent forthwith, provided that the settlement is deemed reasonable. As regards written agreements on full and final settlement of a case, see section 9 F. Under any circumstances such damage shall be inspected as soon as possible by the parties involved or their representatives.

If the vessel's seaworthiness is affected by a major average, e.g. grounding, fire, collision, engine breakdown and heavy weather damage, or if the vessel is forced to enter a port of refuge or call in salvage assistance, the Owners must be notified without delay, and the questions set out overleaf must be answered as far as possible.

In such cases whenever possible a representative of the Owners and/or a representative of the insurer will go to the vessel to help address the many difficult issues which invariably occur in connection with major average. If assistance cannot be provided in this way, the master shall consult the local agents of the Owners and the insurer, possibly a representative of Lloyd's Agency (not to be confused with Lloyd's Register of Shipping). In cases where the vessel's seaworthiness may be affected, but where it is established by an inspection that the vessel is seaworthy, an entry must be made in the logbook stating that the vessel is tight and staunch and fit to carry cargo.

When the vessel arrives in port after such average, whenever possible a seaworthiness certificate shall be issued by the class representative, the
competent authorities or anyone with similar competence, as otherwise the vessel may suffer unfortunate consequences.

In case of General Average where action is deliberately taken or expenses are deliberately incurred for the common safety (vessel and cargo), e.g. by grounding, fire, entering a port of refuge or the jettison of cargo, the master shall make sure that a General Average bond is issued (see section 9 D) before he releases the cargo to the recipient. General Average bonds are usually issued with the assistance of the ship’s agent.

Once General Average has been declared, the Owners may appoint a General Average surveyor who will draft a report for the purpose of calculating and allocating the costs of the average on behalf of all parties involved.

If anticipated damage to vessel and/or cargo cannot be immediately ascertained, the master may file a protest.

Protests are filed with special jurisdictions. Local assistance is arranged via the ship’s agent (see also section 9 C).
Section 3

GUIDELINES IN CASE OF GROUNDING

When a vessel runs aground, there are generally many things to consider when attempting to refloat her. As the circumstances of grounding usually differ considerably, it is impossible to give any general directions that apply universally. However, masters should pay attention to the following aspects:

3.1. Sounding of cargo holds and tanks
Immediately after grounding has occurred, all cargo holds and tanks should be sounded to establish whether the vessel is tight. The soundings should be repeated at least every other hour for as long as the vessel is grounded. An accurate sounding log should be kept.

If the vessel slides off the ground immediately, soundings should also be made at regular intervals and the findings entered in the log.

3.2. Sounding of water depth
Soundings shall be made of the water depth around the vessel and in her immediate surroundings in order to establish the direction in which the vessel is to be brought afloat. Any tide should be taken into account. The trim shall be read and the time of these readings shall be recorded so as to determine how firm the vessel stands on the ground. A sketch must be made showing the trim.

In most, but not all, cases the vessel must be refloated in the same direction as the one from which it ran aground.

3.3. The type of sea bed
It must be established whether the sea bed consists of sand, rock, mud or something else.

3.4. Refloating at high tide
If the vessel ran aground some time between high and low tide, and if the master estimates that refloating will be possible at high tide, circumstances permitting, it will be natural to wait for the high tide and only then attempt to refloat her.

The direction and strength of the current shall be recorded, and the proper precautions must be taken to prevent the vessel from becoming even further grounded by the high tide, e.g. by filling ballast tanks or using the anchor.

3.5. Trimming or emptying of double bottom tanks, etc.
As part of the efforts to refloat the vessel it often proves effective to trim, heel or empty the double bottom tanks, always taking account of the trim sketch. The vessel must not be exposed to extreme stress or impact or poor stability.
NB! When navigating on rivers, canals or in waters with a risk of grounding it often proves an advantage, circumstances permitting, to have a suitable quantity of water in the forward ballast tanks for discharge in case of grounding.

3.6. Use of warping anchor
The use of warping anchors is recommended when attempting to refloat the vessel and also to prevent the vessel from going higher aground. If possible, several warp anchors should be used. Direct heaving with a winch will have no major effect, but a heavy purchase with tackle should be rigged along the deck. In that connection it should be mentioned that by heaving such a warp you would gain a considerable tractive force as well as a more constant force than the one provided by tugs.

Placing of the vessel's bow anchors should also be attempted, either by using the vessel's derricks and winches or cranes or - if the vessel is assisted by tugs - by having these pull the anchors out in position. Once the chain has been pulled tight, a wire should be attached to the chain where it emerges from the water, then lead the wire out on the forecastle, rig a tackle on the wire and pull on this simultaneously with pulling on the anchor winch. Remember to mark all anchors with buoys. It must be prevented that the vessel slides on the anchors at high tide or when refloated as this may cause serious damage to the bottom of the vessel.

3.7. Filling of tanks
In order to prevent the vessel from moving higher aground or bumping the ground in bad weather or heavy swell, it may be useful to fill empty tanks, perhaps empty holds, so as to keep the vessel firmly on the ground.

In this connection the master should be aware of the risk of oil pollution.

If the ground consists of mud the vessel may get stuck. Once the ballast has been discharged it is important to endeavour to free the vessel by engine manoeuvring ahead and or astern.

If tugs are involved, they may sometimes use their propellers to 'dig out' the vessel.

3.8. Using the engine
Often attempts are made to bring a grounded vessel afloat by aggressive use of the engine. This should of course be attempted when the vessel is grounded in a dangerous and exposed position. However, if the grounding has occurred in a less exposed position without any immediate danger, it should be carefully considered whether it is advisable to strain the vessel's engine and means of propulsion.
3.9. Lightering
If the master decides to lighter the cargo in order to lighten the weight of the vessel, it is recommended that he does so only after having signed a written contract drafted through local agents and with the assistance of the Owners in order to prevent the barge owners from making subsequent claims for salvage money or from charging unreasonably high fees.

Please note that lightering must not be performed until measures have been taken to prevent the vessel from moving higher aground.

3.10. Tug assistance
If the master has to ask for tug assistance, he is recommended to do so through local agents and with help from the Owners so as to make a lump-sum arrangement or an agreement for a fixed hourly rate, thereby avoiding any claims for salvage award. It follows from this that the master should avoid arranging for such assistance by signing 'Lloyd's Open Form' or another salvage contract, unless so required by circumstances, in particular the gravity of the situation.

3.11. Trimming or jettison of cargo
Under certain circumstances, say if the vessel is grounded with only part of its bottom, it may be prudent to attempt trimming the vessel by restowing the cargo or, if this or other options are out of the question, to lighten the vessel by jettison (pumping out) the cargo.

Before so doing, however, it is important to make sure that the vessel will not move higher aground during the jettison (pumping out).

Before deciding to jettison (pump out), the master must consider the advantages of such an operation in careful consultation with the Owners.

The master should take into consideration oil pollution or other damage that may be caused by the jettisoned (pumped out) cargo.

3.12. Salvage assistance
If the grounding constitutes a serious threat to vessel and cargo, and if the master deems that salvage assistance is definitely required, he should arrange for such assistance to be provided as soon as possible – primarily with help from the Owners or the insurer or their local agents. Whenever possible, the master should agree a lump sum or a fixed hourly rate in writing prior to assistance being provided. If it is not possible to reach such an agreement, a salvage agreement should be made. Any agreement, irrespective of kind, should be made on a 'no cure – no pay'- basis. An example of the wording of such an agreement is found in section 9 E.

Before signing the salvage contract, the master should consult with the Owners concerning the termination of the salvage contract.
3.13. Collision mat
If, upon refloating, it is discovered that the vessel has sustained such extensive leakage that it is difficult for the pumps to keep the bilges dry, a collision mat may be used. The vessel must be kept in shallow waters until the leakage is under control and the vessel is tight.

As soon as possible after the grounding the master shall notify the Owners of the incident and answer the following questions:

1. Time of grounding, with indication of local time.
2. Accurate position.
3. Heading on the ground.
4. Speed at the time of grounding.
5. Draft fore and aft before grounding.
6. Draft fore and aft on the ground (by high tide, otherwise with indication of tide).
7. Soundings made around the vessel (by high tide, otherwise with indication of tide).
8. Currents, including the direction of the current in relation to the vessel.
9. Type of seabed upon which the vessel is resting.
10. Weather conditions and the forecast for the next couple of days.
11. Did the grounding occur by high or low tide or in between the two.
12. Tide table for the next couple of days.
13. Does the vessel have a list to either side?
14. Is the vessel tight, and what inspections have been performed to check this?
15. Type and weight of the cargo, and stowage arrangements, before the grounding.
16. Distribution of bunker oil, ballast and freshwater prior to the grounding.
17. Has the weight been redistributed after the grounding to trim the vessel or for other reasons? If so, how much and how?
18. The master's opinion as to whether it is possible to use engine, propellers and rudder without taking unnecessary risks.
19. The master's opinion on the prospects of refloating the vessel on his own.
20. The master's opinion on whether the vessel is in an exposed position.
21. Indication of communication channels.

When reporting to the Owners, the master needs only to state the numbers (in letters) and the answer next to them, as this will enable the Owners to get a clear impression of the grounding and the circumstances; any unnecessary waste of time in producing this information is thus avoided. The questions should be answered as quickly as possible, and if in his first report the master cannot answer all the questions, he should merely write e.g. 'eight later' against the numbers for which the answers cannot be given. Moreover, the master should provide any other information that may be of use to the Owners in their assessment of how best to advise the master.
The master should bear in mind that, in the event of grounding, the Owners can only give him advice – not instructions. The master is responsible for the vessel and her cargo and it is he who must take the action that he considers appropriate in any given situation.

Once the vessel has been refloated, the master shall notify the Owners as soon as possible of the time of refloating and any other information relevant in the given situation.

For the purpose of a possible settlement of the claim for salvage award, it is important for the master to make sure that the log contains not only the answers to the above questions, but also a detailed description of the salvage procedure, including assistance provided by the salvors, work performed by his own vessel, any pumping, shifting of cargo, lightering, attempts at towing the vessel off the ground with or without the vessel's own engine, number and size of tugs, barges and other equipment, including warps, etc. The main points of the salvage procedure must be recorded in the vessel's log.
Section 4

GUIDELINES IN CASE OF FIRE

General instructions
One of the largest perils to a vessel’s safety is FIRE ON BOARD.

4.1. The most important measures to prevent and limit the extent of fire
1. Tobacco smoking in beds has caused fire accidents. Everyone on board is urged not to smoke in the bed.
   Smoking in the holds and near hatches during loading and unloading should be avoided.
2. Tobacco must be carefully put out prior to disposal. This also applies to tobacco thrown overboard, as the wind may carry it through open portholes, air pipes, etc.
3. Accumulation of oil waste should be avoided. Floors, tank top and bilges must be kept clean and drip trays must be emptied of oil regularly.
4. Beware of self-ignition of oily cotton waste, rags, sawdust, etc.
5. Routine checks of oil piping systems under pressure.
6. Defective or insufficient insulation of hot surfaces must be repaired immediately.
7. Defective electric installations must be repaired immediately.
8. Electric heaters must not be covered up.
9. Boiler installations must always be kept in order and operated properly.
10. When in use, deep fryers should be kept under constant surveillance. Ventilation and exhaust hoods should be kept clean.
11. During welding and torchcutting a firewatch should be stand by with fire extinguishing equipment. Beware of adjoining rooms. When the vessel is in for repair clear agreements must be made concerning firewatch and the possible calling-in of help.
12. The watchman must be instructed to look out for fire and must be told how to call in fire-fighters when the vessel is moored.
13. Regular control of fire dampers and fire detectors.

4.2. Guidelines for firefighting

Basic rules of any firefighting effort
1. Limit the fire by preventing ignition of materials not yet ignited.
2. Cool down the material on fire, bringing it below the ignition temperature.
3. Smother the fire by preventing intake of new air.

The most important fire-extinguishing agents are:
Water, foam, carbonic acid (CO$_2$), halon, powder and sand.
Water
Water is the most frequently used fire-extinguishing agent and has a unique ability to bind heat and, hence, cool. Water in the form of spray is particularly well suited for generating fast cooling. Water is primarily used to put out fire in solid materials, e.g. fire in accommodation (with the exception of electrical installations). Water spray is also used to put out small fires in oil and other inflammable liquids.

Foam
Foam is used to put out fire in petrol, large oil fires, fats, etc.

Carbonic acid (CO₂)
Carbonic acid is used to smother fire in holds, tanks, engine rooms and other confined spaces. NB! Masks with smoke filters (‘gas masks’) do not protect against the suffocating effects of carbonic acid. Carbonic acid is odourless, heavier than common atmospheric air and it therefore fills a room from the bottom. The room must be aired before anyone is allowed to enter.

Halon
Halon, which is being phased out, is used in the same way as carbonic acid (CO₂).

Powder
Powder extinguishers are perfect for fighting fires in small quantities of petrol and oil. Powder should only be used in an absolute emergency to put out fire in electric panels, etc.

Sand
Sand is suited for putting out small fires in oil or other inflammable liquids. Sand may also be used for putting out fires in substances which develop oxygen during combustion.

4.3. General firefighting rules
If a fire is detected onboard, firefighting must promptly be initiated and the fire alarm sounded. Immediately upon hearing the fire alarm signal, everyone onboard shall go to his assigned position as per the vessel’s fire drill without delay. The fire pumps in the engine room shall be activated as soon as the alarm is sounded. The duty engineer shall make sure that the fire pipeline valves are open and that the pumps produce the necessary pressure. The master of the vessel shall decide whether to prepare the lifesaving equipment. By fire in accommodation near the lifeboats, it is recommended to lower the boats immediately. Whenever possible, the vessel must be brought into a position in relation to...
wind and waves which will reduce the risk of spreading the fire and smoke. It is important immediately to prevent inflow of air into rooms on fire.

**Fire fighting**

When fighting a fire, it is always essential to get as close as possible to the source of the fire. Hosing down smoke and flames is of little effect and is a waste of extinguishing agent and often adds to the damage. The crew shall always work in teams of at least two. In order to be able to find their way back, teams are recommended to bring along a guiding line or follow the hose back if a hose is carried along.

A hose with a nozzle should always be operated by two persons one of whom shall direct the nozzle while the other shall direct the hose. The danger of an exploding hose must be taken into account. When someone enters a room on fire it is advisable to arrange cover for such persons by keeping another hose with spray nozzle ready for use.

*When using water for firefighting, it should be remembered that the pumped-in water may fatally affect the stability of the vessel, and wherever possible measures must be taken to pump the water out or drain it off, in particular from elevated areas of the vessel.*

*Pumping out should be initiated as soon as possible.*

*See section 4.7.*

Do not open the door to a room on fire, until everything is ready for effective fighting of the fire. Beware of the danger of spurts of flame, in particular around the upper part of the door. Approach the fire along the floor.

When heated, gas cylinders and other containers holding compressed and liquefied gases constitute an explosion risk and should therefore immediately be removed from the place of fire. Cylinders that have been exposed to heating should be checked by authorised personnel before use. Fire often produces toxic carbon monoxide (CO) which is odourless and lethal if inhaled.

Due to the risk of flue gas explosions, great care must always be taken when opening the door of a room on fire or filled with smoke.

**Final extinction of the fire**

Once a fire has been brought under control and is by and large extinguished, efforts should begin for the final extinction of the fire and careful clean up. Final extinction should involve use of as little water as possible. All materials and objects that were on fire and which can be removed from the place of fire shall be carried on deck for complete extinction or disposal into the sea.

After the fire has been extinguished, the place of fire must be kept under constant observation until any risk of a rekindling of the fire has been eliminated.
4.4. **Fire in the cargo holds**

1. If a fire breaks out in a hold while the hatches are open, attempts should be made to put out the fire immediately by means of water or foam.

2. When opening the hatches of holds in which there is a fire, or in which there has been a fire which is now believed to be extinguished, you have to be very careful and remove as few covers as possible. Also, fire hoses should be kept ready for immediate use. You should also be ready to close the hatches again quickly, if that proves necessary.

3. If the fire in a closed hold has been slowed by means of carbonic acid to the point where the temperature is no longer dangerous, the hatches should be opened only if there are ample quantities of carbonic acid left onboard to resume extinguishing. Otherwise the hatches should not be opened until the vessel reaches port and sufficient quantities of carbonic acid have been brought onboard. One way of ascertaining that the temperature is no longer dangerous is to use heat-seeking equipment.

4. *A fire in a hold can usually be smothered or in any case be kept low by making the room tight and filling it with carbonic acid.* However, this procedure should not be applied if the cargo consists of nitrates, chlorates and other substances with a high oxygen content, in which case firefighting with water must begin at once.

5. Fire in deck cargo, containers or on open ro-ro decks shall be put out by means of water spray, foam or powder, depending on the nature of the cargo.

For more information on inflammable cargo, see: *International Maritime Dangerous Goods Code (published by IMO).*

4.5. **Fire in engine rooms**

1. By a minor fire in the engine room, and depending upon the circumstances, firefighting shall begin immediately by means of the portable foam and carbonic acid extinguishers or powder. However, if it is evident that these efforts will be unsuccessful, attempts must begin immediately to put out the fire with the permanently installed fire extinguishing equipment.

2. Any inflow of air to the engine room should be prevented promptly by turning off ventilation and closing all openings.

3. Quick-closing devices shall be activated with due regard to the vessel’s current situation. Moreover, fuel oil transfer pumps and purifying equipment shall be stopped.

4.6. **Fire while in port**

1. All personnel on duty must know how to call in help from ashore.
2. The leader of the local fire brigade is likely to wish to be in charge of the firefighting, and it is therefore a question of establishing a good working relationship with him, as the master of the vessel will still be the person responsible for crew, cargo and vessel. *Especially with regard to the vessel’s stability, the master is responsible - and he alone.*

3. The vessel’s fire plan should be reviewed with the fire authorities before firefighting begins.

4.7. **The vessel’s stability during firefighting**

1. When using water for firefighting, it is important to keep in mind that the pumped-in water will affect the stability of the vessel, and all possible measures must be taken to prevent her from capsizing.

2. If the vessel is in port and fire breaks out requiring large quantities of water for firefighting the following measures must be taken immediately:
   
   a. All tanks that may increase the stability of the vessel must be filled up completely so as to ensure that there are no free surfaces left in any of the tanks.
   
   b. Whenever required by circumstances, it should be considered to ground the vessel nearby to prevent it from capsizing.
   
   c. If grounding is impossible, and if there are fears that the stability is threatened, the master shall consider whether to allow the vessel to capsize or to accept the fire damage that might result from not taking on board more water.

   If the vessel is kept afloat and the fire is allowed to burn out in the place where it started while, at the same time, cooling off the adjacent parts, there is generally a better chance of repairing the vessel. E.g. the engine is unlikely to suffer any major damage from a fire outside the engine room.

Reference is also made to:
‘Firefighting onboard vessels’ by Christen Knak.

4.8. **Notification of the Owners**

The master must notify the Owners promptly if a fire breaks out onboard the vessel. The notification shall contain the following information:

1. Full name and occupation of any casualties and their condition.
2. Position, course and speed of the vessel.
3. Weather conditions and the forecast for the next couple of days.
4. Manoeuvrability of the vessel.
5. Place on board where the fire broke out.
6. Material that fuels the fire.
7. Inflammables in adjoining rooms.
9. Type of assistance required.
10. Outlook for the situation.

4.9. Limiting the extent of secondary damage to technical equipment
Fire in and heating of synthetic materials such as PVC plastic in cable insulation will develop hydrogen chlorides which together with the humidity in the air will develop hydrochloric acid.

Similarly, the combustion of fuel oils, lubricating oils and rubber may develop sulphuric acid.

Besides developing hydrochloric acid, firefighting by means of Halon may, develop hydrofluoric acid and bromic acid.

This will create a risk of a corrosive attack on all unprotected metal surfaces, including electric components, circuit boards, rail bonds and machinery.

Measures to limit the extent of secondary damage caused by acids:

1. Corrosion presupposes the presence of, among other things, humidity in the air. Maximum and quick drying of the air is vital and may be undertaken by means of hot air or dehumidification.

2. Whenever possible and warrantable from a safety point of view, generators, electric panels, electric motors and electronic equipment should be kept running as the heat thus developed will greatly impede the progress of corrosion.

3. An air-cooled electric engine or generator damaged by acid which has been cold and is restarted is highly susceptible to damage and should not be started until having been carefully checked.

4. To some degree the acids and their salts may be rinsed off or washed away by means of freshwater. The risk of increasing the humidity level and thus accelerate the speed of the corrosive process should be estimated by experts.

Consequences of fighting the fire
1. Powder is corrosive because of its strongly hygroscopic properties.

As much powder as possible shall be removed from technical installations by vacuum cleaning.

Powder in oil products may have the same effect as nutritive salts which cause growth in the oil's living organisms. The oil must be analysed or replaced.
2. Saltwater contains an array of highly corrosive salts, primarily sodium chloride.

   The installations affected must be washed down thoroughly with large quantities of freshwater, preferably hot.

   Afterwards the installations must be dried, the most effective method being hot air.

   Equipment with windings (electric motors, transformers, generators) should never be started until thoroughly tested.

3. In principle freshwater is not particularly harmful, but the same procedure should be applied as for firefighting with saltwater.

   As soon as possible experts should be brought in to determine the scope and extent of any occurrences of corrosive encrustation, primarily chloride encrustation, in order for the correct remedial action to be taken.
Section 5

GUIDELINES IN CASE OF COLLISION

5.1. General directions
In the event of a collision with another vessel it is of vital importance not only to make the necessary arrangements with regard to the safety of everyone onboard and the vessel itself, but also to record the following information for use in the subsequent handling of the case:

1. Position and time of collision.
2. Collision angle, course and speed at the time of collision.
3. The course and speed of own vessel and any alterations of course and speed - and the time thereof - made since the first observation of the other vessel.
4. Soundings and distances to the other vessel - and the time thereof - since the first observation.
5. The course and speed of the other vessel and any alterations of course and speed - and the time thereof - since the first observation.
6. Observations made of the closest point of approach (CPA).
7. Any other measures taken to avoid collision.
8. Weather, currents and visibility.
9. Lights carried by the two vessels and signals given.

It goes without saying that special care should be taken when producing reports, communication and making entries in logs and manoeuvring records kept in connection with the collision.

It is of the utmost importance to save all information, both written and electronic, for later use.

If salvage or towing is required, reference is made to the directions given in section 3, items 10 and 12, and section 7.

The master should instruct officers and crew not to make statements to unauthorised persons regarding the circumstances of the collision.

If the authorities order statements to be made, the Owners should be consulted beforehand.

If a pilot was onboard, he must be asked for a report.

If the area was under Vessel Traffic Surveillance (VTS), the Owners shall be informed accordingly.

As soon as possible the master of the other vessel or her owners/agent shall be held liable in writing for any costs arising as a consequence of the collision (see section 9 A).

Once the vessel has reached port, the parties involved shall be summoned to undertake a joint survey of the damages.
5.2. **Notification of the Owners**
As soon as possible after the collision the master shall report the incident to the Owners and provide answers to the following questions:

1. Position and time of collision.
2. Occupation and full name of any casualties and their condition.
3. Any danger to those onboard, the vessel and the cargo.
4. Name and home port of the other vessel.
5. Nature and extent of damage to own vessel and, if possible, to the other vessel as well.
6. Is the vessel capable of continuing her voyage unassisted, or will it be necessary to enter a port of refuge or to call in salvage or towing assistance.
7. Information on wind and weather and the forecast for the next couple of days.

*If danger is imminent, the master must of course always use his own discretion and do everything to save human lives and the values entrusted to him without first obtaining instructions.*
6.1. Engine failure in general
In recent years many Owners and their insurers have observed an increase in the number of engine failures often extremely costly. Serious engine failure may imply the need to tow in the vessel from sea with an ensuing substantial financial claim from the salvors.

Below are listed some of the general causes of engine failure not caused by 'external factors' such as stranding, fire, collision (including propeller damage), etc.

6.2. General causes of failure in main and auxiliary engines
   a. Thermal overload
   b. Fuel oil problems
   c. Cooling water problems
   d. Lubricating oil problems
   e. Turbo-charger problems
   f. Alignment problems
   g. Torsion vibration problems
   h. Reduction gear problems
   i. Failure in alarm and safety systems
   j. Outflow of oil
   k. Water in engine room
   l. Insufficient compliance with recommendations in the manuals with regard to ordinary service and maintenance work.

The above incidents may cause serious damage resulting in engine failure. Damage may be avoided or reduced by practising careful daily routines, registration and maintenance.

*Ignition of oil may cause loss of human lives in just a few seconds.*

6.3. Prevention of engine failure
To endeavour to avoid engine failure caused by any of the above-mentioned incidents, the insurers have prepared the following recommendations for ship crews:

*Re a.* Never put a load on the engine that takes it beyond the maximum temperatures indicated in the instruction manual.

*Re b.* Settling and day tanks should be drained in connection with morning and evening rounds.

To obtain the optimum cleaning of the oil, fuel oil centrifuges should run at the correct density ring and a flow matching the daily consumption.
Owners are recommended to affiliate with a specific oil analysis institute such as DNV Petroleum Services, Fobas, etc., and not to use newly-bunkered oil until the result of the analysis is available and adjustments have been made for any deviations relative to the oil previously used.

*Re c.* Always comply with instructions given by engine manufacturers with regard to unfiltered water and cooling water inhibition. In high-performance diesel engines it is often difficult to meet the requirements for maximum chloride content in unfiltered water due to the chlorine added by waterworks.

*Re d.* Lubricating oil should be checked weekly for water content.

Always comply with recommendations by engine manufacturers when choosing the brand/type of lubricating oil in relation to the fuel oil used.

Arrange for analyses to be made of samples of lubricating oil at least every three months, and follow the recommendations made in the analysis report.

*Re e.* Follow recommendations by engine manufacturers with regard to water wash and replacement of lubricating oil and turbo-charger bearings. Beware of, and immediately intervene by, incipient shaking/vibrations.

*Re f.* Perform deflection measurements of the main engine crank shaft twice a year as well as before and after docking, after grounding and major steel repair work. Significant changes in measurements may reflect a change in alignment and shall be investigated prior to start-up.

*Re g.* Follow recommendations by engine manufacturers with regard to controls of torsion vibration dampers, as increased torsion vibrations may cause failure in the engine’s register drive, flexible clutches, etc.

*Re h.* Gearwheel tooth contact pattern should be checked every three months as a minimum, and the gear manufacturer should be consulted in case of a change in their performance, as this may be the first indication of a defect in the bearings.

Follow the supplier’s recommendations with regard to oil filter replacement and take immediate action if the differential pressure over the filters increases or if metal particles appear in the filters.

*Re i.* Daily checks must be made to make sure that the vessel’s engine alarm system is working, and any defects shall be repaired immediately.

The engines’ safety functions (automatic stop functions, overspeed, oil mist detector, etc.) should be checked frequently.
Re j. Escaping oil in connection with defective or lack of shielding and insulation of hot surfaces, such as exhaust pipes, turbo-chargers, boilers, etc., has caused many engine room fires. Always make sure that the insulation is intact and shielding has been mounted.

Re k. Sea valves and overboard valves are always non-return valves. Valves must be 'worked' at regular intervals to keep them in operating condition.

Before leaving a vessel unattended in port (coasters, fishing vessels, pilot boats, laid-up vessels, etc.), all sea valves and overboard valves should be closed, except overboard valves of automatic discharge pumps.

The operating condition of water level alarms in cofferdams, wells, etc. should be checked regularly (e.g. weekly) and any defects should be repaired promptly.

Re l. Always comply with the recommendations of the engine supplier with regard to service and maintenance work. Use the maintenance tables in the instruction manual as a guideline for overhaul dates and follow the repair guidelines.

Starting air receivers should be emptied once a week. Oil accumulated in the starting air system may cause major explosion.

Never return a used fire extinguisher to its place before it has been recharged and made ready for use.

If the engine alarm goes off, promptly check the cause of the alarm and consider what remedial action to take, including the possibility of stopping the engine.

In addition to the statutory engineers' log book, Notices and Memorandum to Owners, oil record book, etc., records should be kept of engine repairwork and maintenance work, including entries of repairwork date(s) and the running hours for the individual components.

If engine failure prevents a vessel from reaching port by own power, the possibility should be considered of having any spare parts or special tools delivered by other vessels or by helicopter, or whether towing assistance is required.
In the latter case, reference is made to section 3, item 3.10, and section 7.
6.4. Notification of the Owners
As soon as possible after the failure has occurred, the master shall report the incident to the Owners and answer the following questions:

1. Time of the engine failure with indication of local time.
2. The position of the vessel.
4. Weather conditions and the forecast for the next couple of days.
5. Indication of the exact machinery and component(s) that failed.
6. Clear and accurate indication of the extent of the failure, and whether it has resulted in, or may result in, the engine being fully or partially out of order.
7. If possible, the cause of the failure.
8. A description of the repairwork required and any spare parts that need to be delivered to the vessel in addition to usable spare parts on board.
9. When replying, state the position numbers of the damaged parts as they appear in the instruction manual (number of table or page) or in drawings. To identify the engine parts, use the same names as in the instruction manual.
Section 7

GUIDELINES IN CASE OF TOWAGE

7.1. Contractual matters
If it becomes necessary to call in assistance to have the vessel towed into port, either by another vessel or by a tug, reference is made to section 3, items 3.10 and 3.12 for the contractual aspects and the safety of the vessel.

7.2. Notification of the Owners
As soon as possible after the average has occurred, the master shall report the incident to the Owners and provide answers to the following questions:

1. Type of average
2. Time of the average
3. Vessel’s position
5. Weather conditions and forecast for the next couple of days
6. Master’s assessment of the situation and the risk involved, the distance to the nearest shore, platform, or obstruction, water depth and anchoring possibilities.

7.3. Precautions before and during towage
1. In due time before towage begins, the masters should make a clear agreement on the procedure of connecting the towrope, as otherwise precious time may be lost when the vessels are located close to one another, often under difficult circumstances.

Examples:
   a. Which vessel will transfer heaving lines and provide riding lines for the towrope.
   b. Which vessel will provide the towrope.
   c. How to fasten the towrope: to the anchor chain, the bridle, directly on a bollard, or to a fixed emergency towage arrangement.

2. When towing by the anchor chain, the latter should be secured during tow in order to avoid a direct pull on the windlass.
3. Before rigging the towrope, it should be checked that there are sufficient numbers of heaving lines, riding lines, shackles and other necessary equipment ready for use.
4. It is always important to ascertain how the vessels are drifting by wind and current in relation to one another so as to use the most appropriate manoeuvres for transfer of the towrope.
5. Beware of the risk of ropes getting caught in the propeller during attempts to fasten the towrope.
6. Circumstances permitting, the towing arrangement should be rigged during daylight.
7. Protect the contact faces between the towrope and hawsepipe or warping chocks by use of canvas and regular greasing.
8. From time to time the towing vessel should adjust the towrope to minimise wear on the contact faces.
9. When towed over long distances, the towed vessel should lock the propeller shaft and fix the rudder in midship position.
10. A communication link should be established between the towed vessel and the towing vessel.
Section 8

GUIDELINES IN CASE OF OTHER INCIDENTS

8.1. Collision with fixed installations
The Preface contains a list of the most frequent causes of collision with fixed installations. However, other situations may arise which lead to this kind of average, and although such situations are often outside the master's control, their implications may nevertheless affect the Owners.

This is not the place to set out rules on how to avoid this type of average, but nevertheless there are a few issues of special significance in this connection:

1. During port manoeuvres and when navigating in narrow waters, the engine room should be manned to ensure quick assistance in case of failure in the bridge control system.
2. Under similar circumstances the anchors should be kept ready for use, and crew should be standby on the forecastle.
3. Shifting alongside should always involve sufficient assistance and crew and only be carried out after consultation with the port authorities.
4. If the vessel has side thrusters it is important to make sure that there is sufficient power to counteract power failure.

8.2. Notification of the Owners
As soon as possible after the average has occurred, the master shall report the incident to the Owners and provide answers to the following questions:

1. Time of the incident and a brief description of the cause.
2. Brief description of the damage to third party.
3. Information on the party suffering damage.
4. Brief description of any damage sustained by own vessel.

Even in cases where liability is easily assigned, and regardless whether the amount involved is negligible, the master should notify the Owners. Any financial arrangements may be made in consultation with the Owners and the local average agent, who should always be brought in in serious cases to assist with inspections and negotiations with the party suffering the damage.

Reference is made to section 9 F for amicable settlements.

8.3. Heavy weather damage
Heavy weather damage to the vessel’s hull, superstructure and/or cargo is most frequently caused by a speed that is incompatible with the force and/or direction of sea and swell.
Contributory causes may be the distribution of cargo (the metacentric height), shifting cargo or wrong ballasting during ballast voyage.
In poor weather conditions vessel and cargo should be inspected at suitable intervals where this is possible without jeopardising the safety of the crew. It is important that covers, dead lights and watertight doors are free.

Slack tanks and water in bilges/suction wells should be avoided.

**Typical heavy weather damage:**

**Indentations in the vessel's bottom, in particular in the forepart**
This type of damage (pounding) may be extensive and occurs relatively frequently. The risk of such damage is greatest when the vessel is in ballast, and quite a few cases could be avoided by adjusting the speed or, circumstances permitting, by performing an appropriate alteration of course.

**Damage on deck**
Such damage may occur everywhere, but bulwark, stanchions and breakwaters as well as equipment on the vessel’s forecastle have proved to be particularly vulnerable. Damage of this type may jeopardise the vessel’s safety and generally speaking cracks should be repaired as soon as possible. Damage to air and sounding pipes may occur as a consequence of heavy weather and it is recommended that vessels carry along a suitable stock of wooden plugs or other materials for temporary tightening.

Cases of damage caused by heavy weather should be recorded in the logbook.

**8.4. Notification of the Owners**
As soon as possible after the incident the master shall notify the Owners and provide answers to the following questions:

1. Vessel's position, course and speed.
2. Weather conditions and forecast for the next couple of days.
3. Vessel's manoeuvrability.
4. Nature and extent of damage to the vessel.
5. Damage to cargo.
7. Need for assistance.

**8.5. Damage caused by stevedores**
Most of the loading and unloading onboard vessels is generally handled by stevedore companies under a contract.

Both Owners and stevedores want loading or unloading to be as fast as possible. Several factors may increase the risk of stevedore damage to the vessel, e.g. unfamiliarity with the vessel’s loading gear, insufficient knowledge of the vessel’s stability, or inappropriate use of cargo gear by fast handling.
Experience shows that vessel and cargo often sustain damage during loading and unloading due to negligence on the part of the stevedore crew.

It is therefore of major importance to monitor both loading and unloading closely to enable immediate recording and inspection of any damage caused by the stevedore to vessel and cargo by both parties and subsequent entry in the logbook.

Should the damage to the vessel affect her seaworthiness, the master shall furthermore call in a representative of the classification society or the flagstate Maritime Authority and notify the Owners and the insurer.

Besides the measures stated above, it is imperative to make sure that the stevedore company is immediately held liable in writing, e.g. in accordance with the proposal in section 9 B.

It is standard practice for the vessel's officers to call the attention of the stevedore crew to unfortunate issues that could cause damage. This complaint should be followed up in writing.

Once damage has occurred, a joint survey should be performed, entries should be made in the logbook and a written complaint should be sent to the stevedore company for which a written receipt should be obtained.

It is important to note that photographs constitute valuable evidence. When using digital photos in evidence, such photos should be exchanged in connection with the joint survey.
A) Letter of liability in case of collision

(Owners’ letterhead)

M/V “XX”
(place, date)

To the Master and Owners
of the m/v “YY”

Dear Sirs,

This is to notify you, on behalf of my Owners, that I hold you and your Owners responsible for all damage to m/v “XX” and her cargo, incl. loss of time, resulting from your vessel having been in collision with the “XX” on (date), at about — hours GMT.

Please acknowledge receipt of this letter by signing and returning the attached copy.

Master

for receipt only
B)  Letter of liability for damage caused by stevedore

(Owners’ letterhead)

M/V “XX”
(place, date)

To Messrs. (stevedore company)

Dear Sirs,

I regret to inform you that on the above date at (hrs) you caused damage to my vessel as specified below and on behalf of my Owners I hereby hold you responsible for all cost related to the damage.

Master

Example of damage:

*By way of hatch No. 2*
Hatch coaming indented port side between stanchion No. 2 and 3 counted from fwd.

*By way of hold No. 5*
Sharp indent starboard side tanktop plating off shell frame No. 12 counted from fwd.

The above named damage was caused by negligence in handling cargo of steel plates.

This notice received, read and checked against damage.

Date:

____________________________________
(signed on behalf of stevedore company)
C) Protest

NOTE OF PROTEST

This is to certify that on the (date) captain N.N. of the vessel “XX” of (port of registry), which sailed from (place) on the (date) loaded with a (cargo) bound for (place) and arrived at this port on the (date), appeared before me, the undersigned, and that the said captain N.N. in fearing that damage might have been occasioned to the vessel and/or cargo through (incident) that occurred on the (date) noted protest against all loss, damage etc. and reserving his right to extend this protest whenever necessary.

(place, date)

................................................
name, Master of “XX”

I hereby certify that captain N.N. personally appeared before me on this date and signed the above in my presence on the (date).

................................................
Notary Public or Flagstate Consul
D) Average Bond
LAB 77

**LLOYD’S AVERAGE BOND**

To ........................................................................................................................................................................

Owner(s) of the ........................................................................................................................................................

Voyage and date .........................................................................................................................................................

Port of shipment ......................................................................................................................................................

Port of destination ....................................................................................................................................................

Bill of Lading or waybill number(s) ........................................................................................................................

<table>
<thead>
<tr>
<th>Quantity and description of goods</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

In consideration of the delivery to us or to our order, on payment of the freight due, of the goods noted above we agree to pay the proper proportion of any salvage and/or general average and/or special charges which may hereafter be ascertained to be due from the goods or the shippers or owners thereof under an adjustment prepared in accordance with the provisions of the contract of affreightment governing the carriage of the goods or, failing any such provision, in accordance with the law and practice of the place where the common maritime adventure ended and which is payable in respect of the goods by the shippers or owners thereof.

We also agree to:

(I) furnish particulars of the value of the goods, supported by a copy of the commercial invoice rendered to us or, if there is no such invoice, details of the shipped value and

(II) make a payment on account of such sum as is duly certified by the average adjusters to be due from the goods and which is payable in respect of the goods by the shippers or owners thereof.

Date ....................... Signature of receiver of goods .................................................................

Full name and address ..............................................................................................................................................

.............................................................................................................................................................................

.............................................................................................................................................................................

.............................................................................................................................................................................
VALUATION FORM

To ..............................................................................................................................................................

Owner(s) of the ........................................................................................................................................

Voyage and date ........................................................................................................................................

Port of shipment ........................................................................................................................................

Port of destination ......................................................................................................................................

Bill of Lading or waybill number(s) ........................................................................................................

Particulars of value

<table>
<thead>
<tr>
<th>Quantity and description of goods</th>
<th>A Invoice Value</th>
<th>B Shipped Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Currency

1. If the goods are insured please state the following details (If known):
   Name and address of insurers or brokers .................................................................
   Policy or certificate number and date ................................................ Insured value ........

2. If the goods arrived subject to loss or damage, please state nature and extent thereof
   ............................................................................................................................... ................................
   and ensure that copies of supporting documents are forwarded either direct or through the insurers
   to the average adjusters named below.

3. If a general average deposit has been paid, please state:
   (a) Amount of the deposit ........................................ (b) Deposit receipt No ......................
   (c) Whether you have made any claim on your insurers for reimbursement ..................

Date .......................................................... Signature ..........................................................

Full name and address:
............................................................................................................................... ..................................
............................................................................................................................... ..................................

NOTES:

1. If the goods form the subject of a commercial transaction, fill in column A with the
   amount of the commercial invoice rendered to you, and attach a copy of this invoice
   hereto.

2. If there is no commercial invoice covering the goods, state the shipped value, if known to
   you, in column B.

3. In either case, state the currency involved.

4. The shipowners have appointed as average adjusters: ............................................
   to whom this form should be sent duly completed together with a copy of the commercial
   invoice.
E)  Lloyd's Standard Form of Salvage Agreement  No Cure - No Pay

and

Scandinavian Salvage Contract  No Cure - No Pay
**LLOYD'S STANDARD FORM OF SALVAGE AGREEMENT**

(APPROVED AND PUBLISHED BY THE COUNCIL OF LLOYD'S)

NO CURE - NO PAY

<table>
<thead>
<tr>
<th>1. Name of the salvage Contractors</th>
<th>2. Property to be salved.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(referred to in this agreement as “the Contractors”)</td>
<td>The vessel:</td>
</tr>
<tr>
<td></td>
<td>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”)</td>
</tr>
<tr>
<td>3. Agreed place of safety:</td>
<td>4. Agreed currency of any arbitral award and security (if other than United States dollars)</td>
</tr>
<tr>
<td>5. Date of this agreement:</td>
<td>6. Place of agreement:</td>
</tr>
<tr>
<td>7. Is the Scopic Clause incorporated into this agreement?</td>
<td>State alternative: Yes/No</td>
</tr>
<tr>
<td>8. Person signing for and on behalf of the Contractors</td>
<td>9. Captain or other person signing for and on behalf of the property</td>
</tr>
<tr>
<td>Signature:</td>
<td>Signature:</td>
</tr>
</tbody>
</table>

**A. Contractors' basic obligation:** The Contractors identified in Box 1 hereby agree to use their best endeavours to salve 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.

(continued on the reverse side)
C. **Scopie 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 Scopie 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 Scopie Clause within the meaning of sub-clause 2 thereof.

D. **Effect of other remedies:** Subject to the provisions of the International Convention on Salvage 1989 as incorporated into English law (“the Convention”) relating to special compensation and to the Scopie Clause if incorporated the Contractors' services shall be rendered and accepted as salvage services upon the principle of “no cure - no pay” and any salvage remuneration to which the Contractors become entitled shall not be diminished by reason of the exception to the principle of “no cure - no pay” in the form of special compensation or remuneration payable to the Contractors under a Scopie Clause.

E. **Prior services:** Any salvage services rendered by the Contractors to the property before and up to the date of this agreement shall be deemed to be covered by this agreement.

F. **Duties of property owners:** Each of the owners of the property shall cooperate fully with the Contractors. In particular:

(i) the Contractors may make reasonable use of the vessel's machinery gear and equipment free of expense provided that the Contractors shall not unnecessarily damage abandon or sacrifice any property on board;

(ii) the Contractors shall be entitled to all such information as they may reasonably require relating to the vessel or the remainder of the property provided such information is relevant to the performance of the services and is capable of being provided without undue difficulty or delay;

(iii) the owners of the property shall co-operate fully with the Contractors in obtaining entry to the place of safety stated in Box 3 or agreed or determined in accordance with Clause A.

G. **Rights of termination:** When there is no longer any reasonable prospect of a useful result leading to a salvage reward in accordance with Convention Articles 12 and/or 13 either the owners of the vessel or the Contractors shall be entitled to terminate the services hereunder by giving reasonable prior written notice to the other.

H. **Deemed performance:** The Contractors' services shall be deemed to have been performed when the property is in a safe condition in the place of safety stated in Box 3 or agreed or determined in accordance with Clause A. For the purpose of this provision the property shall be regarded as being in safe condition notwithstanding that the property (or part thereof) is damaged or in need of maintenance if (i) the Contractors are not obliged to remain in attendance to satisfy the requirements of any port or harbour authority, governmental agency or similar authority and (ii) the continuation of skilled salvage services from the Contractors or other salvors is no longer necessary to avoid the property becoming lost or significantly further damaged or delayed.

I. **Arbitration and the LSSA Clauses:** The Contractors' remuneration and/or special compensation shall be determined by arbitration in London in the manner prescribed by Lloyd's Standard Salvage and Arbitration Clauses (“the LSSA Clauses”) and Lloyd's Procedural Rules. The provisions of the LSSA Clauses and Lloyd's Procedural Rules are deemed to be incorporated in this agreement and form an integral part hereof. Any other difference arising out of this agreement or the operations hereunder shall be referred to arbitration in the same way.

J. **Governing law:** This agreement and any arbitration hereunder shall be governed by English law.

K. **Scope of authority:** The Master or other person signing this agreement on behalf of the property identified in Box 2 enters into this agreement as agent for the respective owners thereof and binds each (but not the one for the other or himself personally) to the due performance thereof.

L. **Inducements prohibited:** No person signing this agreement or any party on whose behalf it is signed shall at any time or in any manner whatsoever offer provide make give or promise to provide or demand or take any form of inducement for entering into this agreement.

**IMPORTANT NOTICES:**

1. **Salvage security.** As soon as possible the owners of the vessel should notify the owners of other property on board that this agreement has been made. If the Contractors are successful the owners of such property should note that it will become necessary to provide the Contractors with salvage security promptly in accordance with Clause 4 of the LSSA Clauses referred to in Clause 1. The provision of General Average security does not relieve the salvaged interests of their separate obligation to provide salvage security to the Contractors.

2. **Incorporated provisions.** Copies of the Scopie Clause; the LSSA Clauses and Lloyd's Procedural Rules may be obtained from (i) the Contractors or (ii) the Salvage Arbitration Branch at Lloyd's, One Lime Street, London EC3M 7HA.

Tel. No. + 44(0)20 7327 5408

Fax No. +44(0)20 7327 6827

E-mail: lloyds-salvage@lloyds.com.

www.lloyds.com

LLOYD'S
LLOYD'S STANDARD FORM OF
SALVAGE AGREEMENT

(APPROVED AND PUBLISHED BY THE COUNCIL OF LLOYD'S)

LLOYD'S STANDARD SALVAGE AND ARBITRATION CLAUSES

1. INTRODUCTION
1.1. These clauses ("the LSSA Clauses") or any revision thereof which may be published with the approval of the Council of Lloyd's are incorporated into and form an integral part of every contract for the performance of salvage services undertaken on the terms of Lloyd's Standard Form of Salvage Agreement as published by the Council of Lloyd's and known as LOF 2000 ("the Agreement" which expression includes the LSSA clauses and Lloyd's Procedural Rules referred to in Clause 6).

1.2. All notices communications and other documents required to be sent to the Council of Lloyd's should be sent to:

Salvage Arbitration Branch
Lloyd's
One Lime Street
London EC3M 7HA

Tel: +44 (0) 20 7327 5408/5407/5849
Fax: +44 (0) 20 7327 6827/5252
E-mail: lloyds-salvage@lloyds.com

2. OVERRING OBJECTIVE
In construing the Agreement or on the making of any arbitral order or award regard shall be had to the overriding purposes of the Agreement namely:

(a) to seek to promote safety of life at sea and the preservation of property at sea and during the salvage operations to prevent or minimise damage to the environment;
(b) to ensure that its provisions are operated in good faith and that it is read and understood to operate in a reasonably businesslike manner;
(c) to encourage cooperation between the parties and with relevant authorities;
(d) to ensure that the reasonable expectations of salvors and owners of salved property are met and
(e) to ensure that it leads to a fair and efficient disposal of disputes between the parties whether amicably, by mediation or by arbitration within a reasonable time and at a reasonable cost.

3. DEFINITIONS
In the Agreement and unless there is an express provision to the contrary:

3.1. "award" includes an interim or provisional award and "appeal award" means any award including any interim or provisional award made by the Appeal Arbitrator appointed under clause 10.2.

3.2. "personal effects or baggage" as referred to in Box 2 of the Agreement means those which the passenger, Master and crew member have in their cabin or are otherwise in their possession, custody or control and shall include any private motor vehicle accompanying a passenger and any personal effects or baggage in or on such vehicle.

3.3. "Convention" means the International Convention on Salvage 1989 as enacted by section 224, Schedule II of the Merchant Shipping Act 1995 (and any amendment of either) and any term or expression in the Convention has the same meaning when used in the Agreement.
3.4. “Council” means the Council of Lloyd’s

3.5. “days” means calendar days

3.6. “Owners” means the owners of the property referred to in box 2 of the Agreement

3.7. “owners of the vessel” includes the demise or bareboat charterers of that vessel.

3.8. “special compensation” refers to the compensation payable to salvors under Article 14 of the Convention.

3.9. “Scopic Clause” refers to the agreement made between (1) members of the International Salvage Union (2) the International Group of P&I Clubs and (3) certain property underwriters which first became effective on 1st August 1999 and includes any replacement or revision thereof. All references to the Scopic Clause in the Agreement shall be deemed to refer to the version of the Scopic Clause current at the date the Agreement is made.

4. PROVISIONS AS TO SECURITY, MARITIME LIEN AND RIGHT TO ARREST

4.1. The Contractors shall immediately after the termination of the services or sooner notify the Council and where practicable the Owners of the amount for which they demand salvage security (inclusive of costs expenses and interest) from each of the respective Owners.

4.2. Where a claim is made or may be made for special compensation the owners of the vessel shall on the demand of the Contractors whenever made provide security for the Contractors claim for special compensation provided always that such demand is made within 2 years of the date of termination of the services.

4.3. The security referred to in clauses 4.1. and 4.2. above shall be demanded and provided in the currency specified in Box 4 or in United States Dollars if no such alternative currency has been agreed.

4.4. The amount of any such security shall be reasonable in the light of the knowledge available to the Contractors at the time when the demand is made and any further facts which come to the Contractors’ attention before security is provided. The arbitrator appointed under clause 5 hereof may, at any stage of the proceedings, order that the amount of security be reduced or increased as the case may be.

4.5. Unless otherwise agreed such security shall be provided (i) to the Council (ii) in a form approved by the Council and (iii) by persons firms or corporations either acceptable to the Contractors or resident in the United Kingdom and acceptable to the Council. The Council shall not be responsible for the sufficiency (whether in amount or otherwise) of any security which shall be provided nor the default or insolvency of any person firm or corporation providing the same.

4.6. The owners of the vessel including their servants and agents shall use their best endeavours to ensure that none of the property salvaged is released until security has been provided in respect of that property in accordance with clause 4.5.

4.7. Until security has been provided as aforesaid the Contractors shall have a maritime lien on the property salvaged for their remuneration.

4.8. Until security has been provided the property salvaged shall not without the consent in writing of the Contractors (which shall not be unreasonably withheld) be removed from the place to which it has been taken by the Contractors under clause A. Where such consent is given by the Contractors on condition that they are provided with temporary security pending completion of the voyage the Contractors maritime lien on the property salvaged shall remain in force to the extent necessary to enable the Contractors to compel the provision of security in accordance with clause 4.5.

4.9. The Contractors shall not arrest or detain the property salvaged unless:
   (i) security is not provided within 21 days after the date of the termination of the services or
   (ii) they have reason to believe that the removal of the property salvaged is contemplated contrary to clause 4.8. or
   (iii) any attempt is made to remove the property salvaged contrary to clause 4.8.

5. APPOINTMENT OF ARBITRATOR

5.1. Whether or not security has been provided the Council shall appoint an arbitrator ("the Arbitrator") upon receipt of a written request provided that any party requesting such appointment shall if required by the Council undertake to pay the reasonable fees and expenses of the Council including those of the Arbitrator and the Appeal Arbitrator.

5.2. The Arbitrator and the Council may charge reasonable fees and expenses for their services whether the arbitration proceeds to a hearing or not and all such fees and expenses shall be treated as part of the costs of the arbitration.

6. ARBITRATION PROCEDURE AND ARBITRATORS POWERS

6.1. The arbitration shall be conducted in accordance with the Procedural Rules approved by the Council ("Lloyd’s Procedural Rules") in force at the time the Arbitrator is appointed.

6.2. The arbitration shall take place in London unless (i) all represented parties agree to some other place for the whole or part of the arbitration and (ii) any such agreement is approved by the Council on such terms as to the payment of the Arbitrator’s travel and accommodation expenses as it may see fit to impose.
6.3. The Arbitrator shall have power in his absolute discretion to include in the amount awarded to the Contractors the whole or part of any expenses reasonably incurred by the Contractors in:
(i) ascertaining demanding and obtaining the amount of security reasonably required in accordance with clause 4.5
(ii) enforcing and/or protecting by insurance or otherwise or taking reasonable steps to enforce and/or protect their lien
6.4. The Arbitrator shall have power to make but shall not be bound to make a consent award between such parties as so consent with or without full arbitral reasons
6.5. The Arbitrator shall have power to make a provisional or interim award or awards including payments on account on such terms as may be fair and just
6.6. Awards in respect of salvage remuneration or special compensation (including payments on account) shall be made in the currency specified in Box 4 or in United States dollars if no such alternative currency has been agreed.
6.7. The Arbitrator’s award shall (subject to appeal as provided in clause 10) be final and binding on all the parties concerned whether they were represented at the arbitration or not and shall be published by the Council in London.

7. REPRESENTATION OF PARTIES
7.1. Any party to the Agreement who wishes to be heard or to adduce evidence shall appoint an agent or representative ordinarily resident in the United Kingdom to receive correspondence and notices for and on behalf of that party and shall give written notice of such appointment to the Council.
7.2. Service on such agent or representative by post or facsimile shall be deemed to be good service on the party which has appointed that agent or representative.
7.3. Any party who fails to appoint an agent or representative as aforesaid shall be deemed to have renounced his right to be heard or adduce evidence.

8. INTEREST
8.1. Unless the Arbitrator in his discretion otherwise decides the Contractors shall be entitled to interest on any sums awarded in respect of salvage remuneration or special compensation (after taking into consideration any sums already paid to the Contractors on account) from the date of termination of the services until the date on which the award is published by the Council and at a rate to be determined by the Arbitrator.
8.2. In ordinary circumstances the Contractors’ interest entitlement shall be limited to simple interest but the Arbitrator may exercise his statutory power to make an award of compound interest if the Contractors have been deprived of their salvage remuneration or special compensation for an excessive period as a result of the Owners gross misconduct or in other exceptional circumstances.
8.3. If the sum(s) awarded to the Contractors (including the fees and expenses referred to in clause 5.2) are not paid to the Contractors or to the Council by the payment date specified in clause 11.1 the Contractors shall be entitled to additional interest on such outstanding sums from the payment date until the date payment is received by the Contractors or the Council both dates inclusive and at a rate which the Arbitrator shall in his absolute discretion determine in his award.

9. CURRENCY CORRECTION
In considering what sums of money have been expended by the Contractors in rendering the services and/or in fixing the amount of the award and/or appeal award the Arbitrator or Appeal Arbitrator shall to such an extent and insofar as it may be fair and just in all the circumstances give effect to the consequences of any change or changes in the relevant rates of exchange which may have occurred between the date of termination of the services and the date on which the award or appeal award is made.

10. APPEALS AND CROSS APPEALS
10.1. Any party may appeal from an award by giving written Notice of Appeal to the Council provided such notice is received by the Council no later than 21 days after the date on which the award was published by the Council.
10.2. On receipt of a Notice of Appeal the Council shall refer the appeal to the hearing and determination of an appeal arbitrator of its choice ("the Appeal Arbitrator").
10.3. Any party who has not already given Notice of Appeal under clause 10.1 may give a Notice of Cross Appeal to the Council within 21 days of that party having been notified that the Council has received Notice of Appeal from another party.
10.4. Notice of Appeal or Cross Appeal shall be given to the Council by letter telex facsimile or in any other permanent form. Such notification if sent by post shall be deemed received on the working day following the day of posting.
10.5. If any Notice of Appeal or Notice of Cross Appeal is withdrawn prior to the hearing of the appeal arbitration, that appeal arbitration shall nevertheless proceed for the purpose of determining any matters which remain outstanding.
10.6. The Appeal Arbitrator shall conduct the appeal arbitration in accordance with Lloyd’s Procedural Rules so far as applicable to an appeal.
10.7. In addition to the powers conferred on the Arbitrator by English law and the Agreement, the Appeal Arbitrator shall have power to:
(i) admit the evidence or information which was before the Arbitrator together with the Arbitrator’s Notes and Reasons for his award, any transcript of evidence and such additional evidence or information as he may think fit;
(ii) confirm increase or reduce the sum(s) awarded by the Arbitrator and to make such order as to the payment of interest on such sum(s) as he may think fit;
(iii) confirm revoke or vary any order and/or declaratory award made by the Arbitrator;
(iv) award interest on any fees and expenses charged under clause 10.8 from the expiration of 28 days after the date of publication by the Council of the Appeal Arbitrator’s award until the date payment is received by the Council both dates inclusive.
10.8. The Appeal Arbitrator and the Council may charge reasonable fees and expenses for their services in connection with the appeal arbitration whether it proceeds to a hearing or not and all such fees and expenses shall be treated as part of the costs of the appeal arbitration.

10.9. The Appeal Arbitrator’s award shall be published by the Council in London.

11. PROVISIONS AS TO PAYMENT

11.1. When publishing the award the Council shall call upon the party or parties concerned to pay all sums due from them which are quantified in the award (including the fees and expenses referred to in clause 5.2) not later than 28 days after the date of publication of the award (“the payment date”).

11.2. If the sums referred to in clause 11.1 (or any part thereof) are not paid within 56 days after the date of publication of the award (or such longer period as the Contractors may allow) and provided the Council has not received Notice of Appeal or Notice of Cross Appeal the Council shall realise or enforce the security given to the Council under clause 4.5 by or on behalf of the defaulting party or parties subject to the Contractors providing the Council with any indemnity the Council may require in respect of the costs the Council may incur in that regard.

11.3. In the event of an appeal and upon publication by the Council of the appeal award the Council shall call upon the party or parties concerned to pay the sum(s) awarded. In the event of non-payment and subject to the Contractors providing the Council with any costs indemnity required as referred to in clause 11.2 the Council shall realise or enforce the security given to the Council under clause 4.5 by or on behalf of the defaulting party.

11.4. If any sum(s) shall become payable to the Contractors in respect of salvage remuneration or special compensation (including interest and/or costs) as the result of an agreement made between the Contractors and the Owners or any of them, the Council, shall, if called upon to do so and subject to the Contractors providing to the Council any costs indemnity required as referred to in clause 11.2 realise or enforce the security given to the Council under clause 4.5 by or on behalf of that party.

11.5. Where (i) no security has been provided to the Council in accordance with clause 4.5 or (ii) no award is made by the Arbitrator or the Appeal Arbitrator (as the case may be) because the parties have been able to settle all matters in issue between them by agreement the Contractors shall be responsible for payment of the fees and expenses referred to in clause 5.2 and (if applicable) clause 10.8. Payment of such fees and expenses shall be made to the Council within 28 days of the Contractors or their representatives receiving the Council’s invoice failing which the Council shall be entitled to interest on any sum outstanding at UK Base Rate prevailing on the date of the invoice plus 2% per annum until payment is received by the Council.

11.6. If an award or appeal award directs the Contractors to pay any sum to any other party or parties including the whole or any part of the costs of the arbitration and/or appeal arbitration the Council may deduct from sums received by the Council on behalf of the Contractors the amount(s) so payable by the Contractors unless the Contractors provide the Council with satisfactory security to meet their liability.

11.7. Save as aforesaid all sums received by the Council pursuant to this clause shall be paid by the Council to the Contractors or their representatives whose receipt shall be a good discharge to it.

11.8. Without prejudice to the provisions of clause 4.5 the liability of the Council shall be limited to the amount of security provided to it.

GENERAL PROVISIONS

12. Lloyd’s documents: Any award notice authority order or other document signed by the Chairman of Lloyd’s or any person authorised by the Council for the purpose shall be deemed to have been duly made or given by the Council and shall have the same force and effect in all respects as if it had been signed by every member of the Council.

13. Contractors personnel and subcontractors.

13.1. The Contractors may claim salvage on behalf of their employees and any other servants or agents who participate in the services and shall upon request provide the owners with a reasonably satisfactory indemnity against all claims by or liabilities to such employees servants or agents.

13.2. The Contractors may engage the services of subcontractors for the purpose of fulfilling their obligations under clauses A and B of the Agreement but the Contractors shall nevertheless remain liable to the Owners for the due performance of those obligations.

13.3. In the event that subcontractors are engaged as aforesaid the Contractors may claim salvage on behalf of the subcontractors including their employees servants or agents and shall, if called upon to do so provide the Owners with a reasonably satisfactory indemnity against all claims by or liabilities to such subcontractors their employees servants or agents.

14. Disputes under Scopic Clause.

Any dispute arising out of the Scopic Clause (including as to its incorporation or invocation) or the operations thereunder shall be referred for determination to the Arbitrator appointed under clause 5 hereof whose award shall be final and binding subject to appeal as provided in clause 10 hereof.

15. Lloyd’s Publications.

Any guidance published by or on behalf of the Council relating to matters such as the Convention the workings and implementation of the Agreement is for information only and forms no part of the Agreement.
SCOPIC 2000

SCOPIC CLAUSE

1. General
This SCOPIC clause is supplementary to any Lloyd’s Form Salvage Agreement “No Cure - No Pay” (“Main Agreement”) which incorporates the provisions of Article 14 of the International Convention on Salvage 1989 (“Article 14”). The definitions in the Main Agreement are incorporated into this SCOPIC clause. If the SCOPIC clause is inconsistent with any provisions of the Main Agreement or inconsistent with the law applicable hereto, the SCOPIC clause, once invoked under sub-clause 2 hereof, shall override such other provisions to the extent necessary to give business efficacy to the agreement. Subject to the provisions of Clause 4 hereof, the method of assessing Special Compensation under Convention Article 14(1) to 14(4) inclusive shall be submitted by the method of assessment set out hereinafter. If this SCOPIC clause has been incorporated into the Main Agreement the Contractor may make no claim pursuant to Article 14 except in the circumstances described in sub-clause 4 hereof. For the purposes of liens and time limits the services hereunder will be treated in the same manner as salvage.

2. Invoking the SCOPIC Clause
The Contractor shall have the option to invoke by written notice to the owners of the vessel the SCOPIC clause set out hereafter at any time of his choosing regardless of the circumstances and, in particular, regardless of whether or not there is a “threat of damage to the environment”. The assessment of SCOPIC remuneration shall commence from the time the written notice is given to the owners of the vessel and services rendered before the said written notice shall not be remunerated under this SCOPIC clause at all but in accordance with Convention Article 13 as incorporated into the Main Agreement (“Article 13”).

3. Security for SCOPIC Remuneration
(i) The owners of the vessel shall provide to the Contractor within 2 working days (excluding Saturdays and Sundays and holidays usually observed at Lloyd’s) after receiving written notice from the contractor invoking the SCOPIC clause, a bank guarantee or P&I Club letter (hereinafter called “the Initial Security”) in a form reasonably satisfactory to the Contractor providing security for his claim for SCOPIC remuneration in the sum of US$3 million, inclusive of interest and costs.
(ii) If, at any time after the provision of the Initial Security the owners of the vessel reasonably assess the SCOPIC remuneration plus interest and costs due hereunder to be less than the security in place, the owners of the vessel shall be entitled to require the Contractor to reduce the security to a reasonable sum and the Contractor shall be obliged to do so once a reasonable sum has been agreed.
(iii) If at any time after the provision of the Initial Security the Contractor reasonably assesses the SCOPIC remuneration plus interest and costs due hereunder to be greater than the security in place, the Contractor shall be entitled to require the owners of the vessel to increase the security to a reasonable sum and the owners of the vessel shall be obliged to do so once a reasonable sum has been agreed.
(iv) In the absence of agreement, any dispute concerning the proposed Guarantor, the form of the security or the amount of any reduction or increase in the security in place shall be resolved by the Arbitrator.

4. Withdrawal
If the owners of the vessel do not provide the Initial Security within the said 2 working days, the Contractor, at his option, and on giving notice to the owners of the vessel, shall be entitled to withdraw from all the provisions of the SCOPIC clause and revert to his rights under the Main Agreement including Article 14 which shall apply as if the SCOPIC clause had not existed. PROVIDED THAT this right of withdrawal may only be exercised if, at the time of giving the said notice of withdrawal the owners of the vessel have still not provided the Initial Security or any alternative security which the owners of the vessel and the Contractor may agree will be sufficient.

5. Tariff Rates
(i) SCOPIC remuneration shall mean the total of the tariff rates of personnel; tugs and other craft; portable salvage equipment; out of pocket expenses; and bonus due.
(ii) SCOPIC remuneration in respect of all personnel; tugs and other craft; and portable salvage equipment shall be assessed on a time and materials basis in accordance with the Tariff set out in Appendix “A”. This tariff will apply until reviewed and amended by the SCR Committee in accordance with Appendix B(1)(b). The tariff rates which will be used to calculate SCOPIC remuneration are those in force at the time the salvage services take place.
(iii) “Out of pocket” expenses shall mean all those monies reasonably paid by or for and on behalf of the Contractor to any third party and in particular includes the hire of men, tugs, other craft and equipment used and other expenses reasonably necessary for the operation. They will be agreed at cost, PROVIDED THAT:
   (a) If the expenses relate to the hire of men, tugs, other craft and equipment from another ISU member or their affiliate(s), the amount due will be calculated on the tariff rates set out in Appendix “A” regardless of the actual cost.
   (b) If men, tugs, other craft and equipment are hired from any party who is not an ISU member and the hire rate is greater than the tariff rates referred to in Appendix “A” the actual cost will be allowed in full, subject to the Shipowner's Casualty Representative (“SCR”) being satisfied that in the particular circumstances of the case, it was reasonable for the Contractor to hire such items at that cost. If an SCR is not appointed or if there is a dispute, then the Arbitrator shall decide whether the expense was reasonable in all the circumstances.
(iv) In addition to the rates set out above and any out of pocket expenses, the Contractor shall be entitled to a standard bonus of 25% of those rates except that if the out of pocket expenses described in sub-paragraph 5(iii)(b) exceed the applicable tariff rates in Appendix “A” the Contractor shall be entitled to a bonus such that he shall receive in total
   (a) The actual cost of such men, tugs, other craft and equipment plus 10% of the tariff rate, or
   (b) The tariff rate for such men, tugs, other craft and equipment plus 25% of the tariff rate whichever is the greater.

6. Article 13 Award
(i) The salvage services under the Main Agreement shall continue to be assessed in accordance with Article 13, even if the Contractor has invoked the SCOPIC clause. SCOPIC remuneration as assessed under sub-clause 5 above will be payable only by the owners of the vessel and only to the extent that it exceeds the total Article 13 Award (or, if none, any potential Article 13 Award) payable by all salved interests (including cargo, bunkers, lubricating oil and stores) after currency adjustment but before interest and costs even if the Article 13 Award or any part of it is not recovered.

1.8.1999
1.9.2000
(ii) In the event of the Article 13 Award or settlement being in a currency other than United States dollars it shall, for the purposes of the SCOPIC clause, be exchanged at the rate of exchange prevailing at the termination of the services under the Main Agreement.

(iii) The salvage award under Article 13 shall not be diminished by reason of the exception to the principle of "No Cure - No Pay" in the form of SCOPIC remuneration.

7. Discount
If the SCOPIC clause is invoked under sub-clause 2 hereof and the Article 13 Award or settlement (after currency adjustment but before interest and costs) under the Main Agreement is greater than the assessed SCOPIC remuneration then, notwithstanding the actual date on which the SCOPIC remuneration provisions were invoked, the said Article 13 Award or settlement shall be discounted by 25% of the difference between the said Article 13 Award or settlement and the amount of SCOPIC remuneration that would have been assessed had the SCOPIC remuneration provisions been invoked on the first day of the services.

8. Payment of SCOPIC Remuneration
(i) The date for payment of any SCOPIC remuneration which may be due hereunder will vary according to the circumstances.
   (a) If there is no potential salvage award within the meaning of Article 13 as incorporated into the Main Agreement then, subject to Appendix B(5)(c)(iv), the undisputed amount of SCOPIC remuneration due hereunder will be paid by the owners of the vessel within 1 month of the presentation of the claim. Interest on sums due will accrue from the date of termination of the services until the date of payment at US prime rate plus 1%.
   (b) If there is a claim for an Article 13 salvage award as well as a claim for SCOPIC remuneration, subject to Appendix B(5)(c)(iv), 75% of the amount by which the assessed SCOPIC remuneration exceeds the total Article 13 security demanded from ship and cargo will be paid by the owners of the vessel within 1 month and any undisputed balance paid when the Article 13 salvage award has been assessed and falls due. Interest will accrue from the date of termination of the services until the date of payment at the US prime rate plus 1%.

(ii) The Contractor hereby agrees to give an indemnity in a form acceptable to the owners of the vessel in respect of any overpayment in the event that the SCOPIC remuneration due ultimately proves to be less than the sum paid on account.

9. Termination
(i) The Contractor shall be entitled to terminate the services under this SCOPIC clause and the Main Agreement by written notice to owners of the vessel with a copy to the SCR (if any) and any Special Representative appointed if the total cost of his services to date and the services that will be needed to fulfill his obligations hereunder to the property (calculated by means of the tariff rate but before the bonus conferred by sub-clause 6(iii) hereof) will exceed the sum of:-
   (a) The value of the property capable of being salved; and
   (b) All sums to which he will be entitled as SCOPIC remuneration

(ii) The owners of the vessel may at any time terminate the obligation to pay SCOPIC remuneration after the SCOPIC clause has been invoked under sub-clause 2 hereof provided that the Contractor shall be entitled to at least 5 clear days' notice of such termination. In the event of such termination, the assessment of SCOPIC remuneration shall take into account all monies due under the tariff rates set out in Appendix A hereof including time for demobilisation to the extent that such time did reasonably exceed the 5 days' notice of termination.

(iii) The termination provisions contained in sub-clause 9(i) and 9(ii) above shall only apply if the Contractor is not restrained from demobilising his equipment by Government, Local or Port Authorities or any other officially recognised body having jurisdiction over the area where the services are being rendered.

10. Duties of Contractor
The duties and liabilities of the Contractor shall remain the same as under the Main Agreement, namely to use his best endeavours to save the vessel and property thereon and in so doing to prevent or minimise damage to the environment.

11. Shipowner's Casualty Representative ("SCR")
Once this SCOPIC clause has been invoked in accordance with sub-clause 2 hereof the owners of the vessel may at their sole option appoint an SCR to attend the salvage operation in accordance with the terms and conditions set out in Appendix B.

12. Special Representatives
At any time after the SCOPIC clause has been invoked the Hull and Machinery underwriter (or, if more than one, the lead underwriter) and one owner or underwriter of all or part of any cargo on board the vessel may each appoint one special representative (hereinafter called respectively the "Special Hull Representative" and the "Special Cargo Representative" and collectively called the "Special Representatives") at the sole expense of the appointor to attend the casualty to observe and report upon the salvage operation on the terms and conditions set out in Appendix C hereof. Such Special Representatives shall be technical men and not practising lawyers.

13. Pollution Prevention
The assessment of SCOPIC remuneration shall include the prevention of pollution as well as the removal of pollution in the immediate vicinity of the vessel so far as this is necessary for the proper execution of the salvage but not otherwise.

14. General Average
SCOPIC remuneration shall not be a General Average expense to the extent that it exceeds the Article 13 Award; any liability to pay such SCOPIC remuneration shall be that of the Shipowner alone and no claim whether direct, indirect, by way of indemnity or recourse or otherwise relating to SCOPIC remuneration in excess of the Article 13 Award shall be made in General Average or under the vessel's Hull and Machinery Policy by the owners of the vessel.

15. Any dispute arising out of this SCOPIC clause or the operations thereunder shall be referred to Arbitration as provided for under the Main Agreement.
APPENDIX A (SCOPIC)

1. PERSONNEL

(a) The daily tariff rate, or pro rata for part thereof, for personnel reasonably engaged on the contract, including any necessary time in proceeding to and returning from the casualty, shall be as follows:

<table>
<thead>
<tr>
<th>Position</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office administration, including communications</td>
<td>US$1,000</td>
</tr>
<tr>
<td>Salvage Master</td>
<td>US$1,500</td>
</tr>
<tr>
<td>Naval Architect or Salvage Officer/Engineer</td>
<td>US$1,250</td>
</tr>
<tr>
<td>Assistant Salvage Officer/Engineer</td>
<td>US$1,000</td>
</tr>
<tr>
<td>Diving Supervisor</td>
<td>US$1,000</td>
</tr>
<tr>
<td>Diver</td>
<td>US$ 750</td>
</tr>
<tr>
<td>Salvage Foreman</td>
<td>US$ 750</td>
</tr>
<tr>
<td>Riggers, Fitters, Equipment Operators</td>
<td>US$ 600</td>
</tr>
<tr>
<td>Specialist Advisors – Fire Fighters, Chemicals, Pollution Control</td>
<td>US$1,000</td>
</tr>
</tbody>
</table>

(b) The crews of tugs, and other craft, normally aboard that tug or craft for the purpose of its customary work are included in the tariff rate for that tug or craft but when because of the nature and/or location of the services to be rendered, it is a legal requirement for an additional crew member or members to be aboard the tug or craft, the cost of such additional crew will be paid.

(c) The rates for any personnel not set out above shall be agreed with the SCR or, failing agreement, be determined by the Arbitrator.

(d) For the avoidance of doubt, personnel are “reasonably engaged on the contract” within the meaning of Appendix A sub-clause 1(a) hereof if, in addition to working, they are eating, sleeping or otherwise resting on site or travelling to or from the site; personnel who fall ill or are injured while reasonably engaged on the contract shall be charged for at the appropriate daily tariff rate until they are demobilised but only if it was reasonable to mobilise them in the first place.

(e) SCOPIC remuneration shall cease to accrue in respect of personnel who die on site from the date of death.

2. TUGS AND OTHER CRAFT

(a) (i) Tugs, which shall include salvage tugs, harbour tugs, anchor handling tugs, coastal/ocean towing tugs, off-shore support craft, and any other work boat in excess of 500 b.h.p., shall be charged at the following rates, exclusive of fuel or lubricating oil, for each day, or pro rata for part thereof, that they are reasonably engaged in the services, including proceeding towards the casualty from the tugs’ location when SCOPIC is invoked or when the tugs are mobilised (whichever is the later) and from the tugs’ position when their involvement in the services terminates to a reasonable location having due regard to their employment immediately prior to their involvement in the services and standing by on the basis of their certificated b.h.p.:

<table>
<thead>
<tr>
<th>B.H.P. Category</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>For each b.h.p. up to 5,000 b.h.p.</td>
<td>US$ 2.00</td>
</tr>
<tr>
<td>For each b.h.p. between 5,001 &amp; 10,000 b.h.p.</td>
<td>US$ 1.50</td>
</tr>
<tr>
<td>For each b.h.p. between 10,001 &amp; 20,000 b.h.p.</td>
<td>US$ 1.00</td>
</tr>
<tr>
<td>For each b.h.p. over 20,000 b.h.p.</td>
<td>US$ 0.50</td>
</tr>
</tbody>
</table>

(ii) Any tug which has aboard certified fire fighting equipment shall, in addition to the above rates, be paid:

- US$500 per day, or pro rata for part thereof, if equipped with Fi Fi 0.5
- US$1,000 per day, or pro rata for part thereof, if equipped with Fi Fi 1.0

for that period in which the tug is engaged in fire fighting necessitating the use of the certified fire fighting equipment.

(iii) Any tug which is certified as “Ice Class” shall, in addition to the above, be paid US$1,000 per day, or pro rata for part thereof, when forcing or breaking ice during the course of services including proceeding to and returning from the casualty.

(iv) For the purposes of paragraph 2(a)(i) hereof tugs shall be remunerated for any reasonable delay or deviation for the purposes of taking on board essential salvage equipment, provisions or personnel which the Contractor reasonably anticipates he shall require in rendering the services which would not normally be found on vessels of the tugs size and type.

(b) Any launch or work boat of less than 500 b.h.p. shall, exclusive of fuel and lubricating oil, be charged at a rate of US$3.00 for each b.h.p.

(c) Any other craft, not falling within the above definitions, shall be charged out at a market rate for that craft, exclusive of fuel and lubricating oil, such rate to be agreed with the SCR or, failing agreement, determined by the Arbitrator.

(d) All fuel and lubricating oil consumed during the services shall be paid at cost of replacement and shall be treated as an out of pocket expense.

(e) For the avoidance of doubt, the above rates shall not include any portable salvage equipment normally aboard the tug or craft and such equipment shall be treated in the same manner as portable salvage equipment and the Contractors shall be remunerated in respect thereof in accordance with Appendix A paragraphs 3 and 4 (i) and (ii) hereof.
3. PORTABLE SALVAGE EQUIPMENT

(a) The daily tariff, or pro rata for part thereof, for all portable salvage equipment reasonably engaged during the services, including any time necessary for mobilisation and demobilisation, shall be as follows:

<table>
<thead>
<tr>
<th>Generators</th>
<th>Rate - US$</th>
<th>Welding &amp; Cutting Equipment</th>
<th>Rate - US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 50 kW</td>
<td>60</td>
<td>Bolt Gun</td>
<td>300</td>
</tr>
<tr>
<td>51 to 100 kW</td>
<td>125</td>
<td>Gas Detector</td>
<td>100</td>
</tr>
<tr>
<td>101 to 300 kW</td>
<td>200</td>
<td>Hot Tap Machine,</td>
<td>1,000</td>
</tr>
<tr>
<td>Over 301 kW</td>
<td>353</td>
<td>including supporting equipment</td>
<td></td>
</tr>
<tr>
<td>Portable inert Gas Systems</td>
<td></td>
<td>Oxy-acetylene Surface Cutting Gear</td>
<td>25</td>
</tr>
<tr>
<td>1,000m³/hour</td>
<td>1,200</td>
<td>Underwater Cutting Gear</td>
<td>50</td>
</tr>
<tr>
<td>1,500m³/hour</td>
<td>1,400</td>
<td>Underwater Welding Kit</td>
<td>50</td>
</tr>
<tr>
<td>Compressors</td>
<td></td>
<td>250 Amp Welder</td>
<td>150</td>
</tr>
<tr>
<td>High Pressure</td>
<td></td>
<td>400 Amp Welder</td>
<td>200</td>
</tr>
<tr>
<td>185 Cfm</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>600 Cfm</td>
<td>150</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1200 Cfm</td>
<td>250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Manifold</td>
<td>400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blower; 1,500m³/min.</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pumping Equipment</td>
<td>850</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2&quot;</td>
<td>75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diesel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2&quot;</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4&quot;</td>
<td>90</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6&quot;</td>
<td>120</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electrical Submersible</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2&quot;</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4&quot;</td>
<td>150</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6&quot;</td>
<td>500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hydraulic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6&quot;</td>
<td>600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8&quot;</td>
<td>1,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hoses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Hose</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>¾&quot;/per 30 metres or 100 feet</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2&quot;/per 30 metres or 100 feet</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Layflat</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2&quot;</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4&quot;</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6&quot;</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rigid</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2&quot;</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4&quot;</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6&quot;</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8&quot;</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fenders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yokohama</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.00m. x 2.00m.</td>
<td>75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.50m. x 5.50m.</td>
<td>150</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.50m. x 6.50m.</td>
<td>250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Pressure Inflatable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 metres</td>
<td>70</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 metres</td>
<td>70</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 metres</td>
<td>150</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 metres</td>
<td>250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 metres</td>
<td>250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Bags, less than 5 tons lift</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 to 15 tons lift</td>
<td>200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Lift 4&quot;</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6&quot;</td>
<td>200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8&quot;</td>
<td>300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Tugger, up to 3 tons</td>
<td>75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ballast/Fuel Oil Storage Bins, 50,000 litres</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chain Saw</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Damage Stability Computer and Software</td>
<td>250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Echo Sounder, portable</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extension Ladder</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hydraulic Jack, up to 100 tons</td>
<td>75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hydraulic Powerpack</td>
<td>75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pressure washer, water</td>
<td>250</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>450</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rigging Package, heavy</td>
<td>400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light</td>
<td>200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rock,</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drill</td>
<td>400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steel Saw</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tifors, up to 5 tonnes</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thermal Imaging Camera</td>
<td>250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tool Package, per set</td>
<td>175</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ventilation Package</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VHF Radio</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Z Boat, including outboard up to 14 feet</td>
<td>200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>over 14 feet</td>
<td>350</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shackles</td>
<td>Rate – US$</td>
<td>Protective Clothing</td>
<td>Rate – US$</td>
</tr>
<tr>
<td>------------------</td>
<td>-----------</td>
<td>-------------------------------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Up to 50 tonnes</td>
<td>10</td>
<td>Breathing Gear</td>
<td>50</td>
</tr>
<tr>
<td>51 to 100 tonnes</td>
<td>20</td>
<td>Hazardous Environment Suit</td>
<td>100</td>
</tr>
<tr>
<td>101 to 200 tonnes</td>
<td>30</td>
<td>Diving Equipment</td>
<td></td>
</tr>
<tr>
<td>Over 200 tonnes</td>
<td>50</td>
<td>Decompression Chamber,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 man, including compressor</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4 man, including compressor</td>
<td>700</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hot Water Diving Assembly</td>
<td>250</td>
</tr>
<tr>
<td>Distribution Boards</td>
<td></td>
<td>Underwater Magnets</td>
<td>20</td>
</tr>
<tr>
<td>Up to 50 kW</td>
<td>60</td>
<td>Underwater Drill</td>
<td>20</td>
</tr>
<tr>
<td>51 to 100 kW</td>
<td>125</td>
<td>Shallow Water Dive Spread</td>
<td>225</td>
</tr>
<tr>
<td>101 to 300 kW</td>
<td>200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 301 kW</td>
<td>350</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(b) Any portable salvage equipment engaged but not set out above shall be charged at a rate to be agreed with the SCR or, failing agreement, determined by the Arbitrator.

(c) The total charge (before bonus) for each item of portable salvage equipment, owned by the contractor, shall not exceed the manufacturer’s recommended retail price on the last day of the services multiplied by 1.5.

(d) Compensation for any portable salvage equipment lost or destroyed during the services shall be paid provided that the total of such compensation and the daily tariff rate (before bonus) in respect of that item do not exceed the actual cost of replacing the item at the Contractors’ base with the most similar equivalent new item multiplied by 1.5.

(e) All consumables such as welding rods, boiler suits, small ropes etc. shall be charged at cost and shall be treated as an out of pocket expense.

(f) The Contractor shall be entitled to remuneration at a stand-by rate of 50% of the full tariff rate plus bonus for any portable salvage equipment reasonably mobilised but not used during the salvage operation provided

(i) It has been mobilised with the prior agreement of the owner of the vessel or its mobilisation was reasonable in the circumstances of the casualty, or

(ii) It comprises portable salvage equipment normally aboard the tug or craft that would have been reasonably mobilised had it not already been aboard the tug or craft.

(g) SCOPIC remuneration shall cease to accrue in respect of portable salvage equipment which becomes a commercial total loss from the date it ceases to be useable plus a reasonable period for demobilisation (if appropriate) PROVIDED that such SCOPIC remuneration in respect of demobilisation shall only be payable if the commercial total loss arises while it is engaged in the services and through no fault of the Contractors, their servants, agents or sub-contractors.

4. **DOWNTIME**

If a tug or piece of portable salvage equipment breaks down or is damaged without fault on the part of the Contractor, his servants, agents or sub-contractors and as a direct result of performing the services it should be paid for during the repair while on site at the stand-by rate of 50% of the tariff rate plus uplift pursuant to sub-clause 5(iv) of the SCOPIC clause.

If a tug or piece of portable salvage equipment breaks down or otherwise becomes inoperable without fault on the part of the Contractor, his servants, agents or sub-contractors and as a direct result of performing the services and cannot be repaired on site then:

(a) If it is not used thereafter but remains on site then no SCOPIC remuneration is payable in respect of that tug or piece of portable salvage equipment from the time of the breakdown.

(b) If it is removed from site, repaired and reasonably returned to the site for use SCOPIC remuneration at the standby rate of 50% of the tariff rate plus bonus pursuant to sub-clause 5(iv) of the SCOPIC clause shall be payable from the breakdown to the date it is returned to the site.

(c) If it is removed from the site and not returned SCOPIC remuneration ceases from the breakdown but is, in addition, payable for the period that it takes to return it directly to base at the stand-by rate of 50% of the tariff rate plus bonus pursuant to sub-clause 5(iv) of the SCOPIC clause.
APPENDIX B (SCOPIC)

1. (a) The SCR shall be selected from a panel (the “SCR Panel”) appointed by a Committee (the “SCR Committee”) comprising of representatives appointed by the following:
   
   - 3 representatives from the International Group of P and I Clubs
   - 3 representatives from the ISU
   - 3 representatives from the IUMI
   - 3 representatives from the International Chamber of Shipping

(b) The SCR Committee shall be responsible for an annual review of the tariff rates as set out in Appendix A.

(c) The SCR Committee shall meet once a year in London to review, confirm, reconfirm or remove SCR Panel members.

(d) Any individual may be proposed for membership of the SCR Panel by any member of the SCR Committee and shall be accepted for inclusion on the SCR Panel unless at least four votes are cast against his inclusion.

(e) The SCR Committee shall also set and approve the rates of remuneration for the SCRs for the next year.

(f) Members of the SCR Committee shall serve without compensation.

(g) The SCR Committee's meetings and business shall be organised and administered by the Salvage Arbitration Branch of the Corporation of Lloyd's (hereinafter called "Lloyd's") who will keep the current list of SCR Panel members and make it available to any person with a bona fide interest.

(h) The SCR Committee shall be entitled to decide its own administrative rules as to procedural matters (such as quorums, the identity and power of the Chairman etc.)

2. The primary duty of the SCR shall be the same as the Contractor, namely to use his best endeavours to assist in the salvage of the vessel and the property thereon and in so doing to prevent and minimise damage to the environment.

3. The Salvage Master shall at all times remain in overall charge of the operation, make all final decisions as to what he thinks is best and remain responsible for the operation.

4. The SCR shall be entitled to be kept informed by or on behalf of the Salvage Master or (if none) the principal contractors' representative on site (hereinafter called "the Salvage Master"). The Salvage Master shall consult with the SCR during the operation if circumstances allow and the SCR, once on site, shall be entitled to offer the Salvage Master advice.

5. (a) Once the SCOPIC clause is invoked the Salvage Master shall send daily reports (hereinafter called the “Daily Salvage Reports”) setting out:-

   - the salvage plan (followed by any changes thereto as they arise)
   - the condition of the casualty and the surrounding area (followed by any changes thereto as they arise)
   - the progress of the operation
   - the personnel, equipment, tugs and other craft used in the operation that day.

(b) Pending the arrival of the SCR on site the Daily Salvage Reports shall be sent to Lloyd's and the owners of the vessel. Once the SCR has been appointed and is on site the Daily Salvage Reports shall be delivered to him.
(c) The SCR shall upon receipt of each Daily Salvage Report:-

(i) Transmit a copy of the Daily Salvage Report by the quickest method reasonably available to Lloyd's, the owners of the vessel, their liability insurers and (if any) to the Special Hull Representative and Special Cargo Representative (appointed under clause 12 of the SCOPIC clause and Appendix C) if they are on site; and if a Special Hull Representative is not on site the SCR shall likewise send copies of the Daily Salvage Reports direct to the leading Hull Underwriter or his agent (if known to the SCR) and if a Special Cargo Representative is not on site the SCR shall likewise send copies of the Daily Salvage Reports to such cargo underwriters or their agent or agents as are known to the SCR (hereinafter in this Appendix B such Hull and Cargo property underwriters shall be called "Known Property Underwriters").

(ii) If circumstances reasonably permit consult with the Salvage Master and endorse his Daily Salvage Report stating whether or not he is satisfied and

(iii) If not satisfied with the Daily Salvage Report, prepare a dissenting report setting out any objection or contrary view and deliver it to the Salvage Master and transmit it to Lloyd's, the owners of the vessel, their liability insurers and to any Special Representatives (appointed under clause 12 of the SCOPIC clause and Appendix C) or, if one or both Special Representatives has not been appointed, to the appropriate Known Property Underwriter.

(iv) If the SCR gives a dissenting report to the Salvage Master in accordance with Appendix B(5)(c)(iii) to the SCOPIC clause, any initial payment due for SCOPIC remuneration shall be at the tariff rate applicable to what is in the SCR's view the appropriate equipment or procedure until any dispute is resolved by agreement or arbitration.

(d) Upon receipt of the Daily Salvage Reports and any dissenting reports of the SCR, Lloyd's shall distribute upon request the said reports to any parties to this contract and any of their property insurers of whom they are notified (hereinafter called "the Interested Persons") and to the vessel's liability insurers.

(e) As soon as reasonably possible after the Salvage services terminate the SCR shall issue a report (hereinafter call the "SCR's Final Salvage Report") setting out:

- the facts and circumstances of the casualty and the salvage operation insofar as they are known to him.
- the tugs, personnel and equipment employed by the Contractor in performing the operation.
- A calculation of the SCOPIC remuneration to which the contractor may be entitled by virtue of this SCOPIC clause.

The SCR's Final Salvage Report shall be sent to the owners of the vessel and their liability insurers and to Lloyd's who shall forthwith distribute it to the Interested Persons.

6. (a) The SCR may be replaced by the owner of the vessel if either:

(i) the SCR makes a written request for a replacement to the owner of the vessel (however the SCR should expect to remain on site throughout the services and should only expect to be substituted in exceptional circumstances); or
(ii) the SCR is physically or mentally unable or unfit to perform his duties; or
(iii) all salvaged interests or their representatives agree to the SCR being replaced.

(b) Any person who is appointed to replace the SCR may only be chosen from the SCR Panel.

(c) The SCR shall remain on site throughout the services while he remains in that appointment and until the arrival of any substitute so far as practicable and shall hand over his file and all other correspondence, computer data and papers concerning the salvage services to any substitute SCR and fully brief him before leaving the site.

(d) The SCR acting in that role when the services terminate shall be responsible for preparing the Final Salvage Report and shall be entitled to full co-operation from any previous SCRs or substitute SCRs in performing his functions hereunder.

7. The owners of the vessel shall be primarily responsible for paying the fees and expenses of the SCR. The Arbitrator shall have jurisdiction to apportion the fees and expenses of the SCR and include them in his award under the Main Agreement and, in doing so, shall have regard to the principles set out in any market agreement in force from time to time.
APPENDIX C (SCOPIC)

The Special Representatives

1. The Salvage Master, the owners of the vessel and the SCR shall co-operate with the Special Representatives and shall permit them to have full access to the vessel to observe the salvage operation and to inspect such of the ship's documents as are relevant to the salvage operation.

2. The Special Representative shall have the right to be informed of all material facts concerning the salvage operation as the circumstances reasonably allow.

3. If an SCR has been appointed the SCR shall keep the Special Representatives (if any and if circumstances permit) fully informed and shall consult with the said Special Representatives. The Special Representatives shall also be entitled to receive a copy of the Daily Salvage Reports direct from the Salvage Master or, if appointed, from the SCR.

4. The appointment of any Special Representatives shall not affect any right that the respondent ship and cargo interests may have (whether or not they have appointed a Special Representative) to send other experts or surveyors to the vessel to survey ship or cargo and inspect the ship's documentation or for any other lawful purpose.

5. If an SCR or Special Representative is appointed the Contractor shall be entitled to limit access to any surveyor or representative (other than the said SCR and Special Representative or Representatives) if he reasonably feels their presence will substantially impede or endanger the salvage operation.
To:

Dear Sirs,

".........................................................................................." Salvage
Lloyd's Standard Form of Salvage Agreement incorporating the
SCOPIC Clause dated ...........................................(the "LOF")

1. In consideration of, and upon condition that, you refrain from arresting or otherwise detaining
the ............................................. or any other ship or property in the same beneficial or associated
ownership or management in connection with your claim for SCOPIC remuneration for services
rendered to the ............................................. under the terms of the LOF, we hereby undertake to
pay to you on demand any liability on the part of the owners for SCOPIC remuneration, together
with interest thereon and costs in relation thereto, which may be agreed in writing between
you, ourselves and the owners of the vessel in respect of which this undertaking is given or as
may be finally (in each case after the exhaustion of any appeals) found or adjudged to be due
to you from the owners pursuant to the arbitration provision contained in the LOF and any
appeals therefrom to the Courts.

2. Any monies paid by the undersigned hereunder shall be deemed to have been paid by the
undersigned as surety for the party or parties by whom your remuneration shall be payable
provided that, notwithstanding anything hereinbefore contained, the liability of the undersigned,
as between the undersigned on the one hand and you on the other hand, shall be that of a
principal debtor and the undersigned shall not be released by time being given or other
indulgence shown to the party or parties hereby guaranteed or by any other act, matter or
thing whereby the undersigned, if liable as a surety only, would or might have been released.

3. This undertaking shall be governed and construed in accordance with English law and we
undertake, when called upon to do so, to give irrevocable instructions to English solicitors to
accept service of proceedings issued on your behalf against us in relation to this undertaking.

4. Provided always that our liability hereunder shall not in any circumstances exceed (including
interest and costs) the sum of US$..........................................

Signed this ...........day of ......................

1.8.1999
CODE OF PRACTICE BETWEEN INTERNATIONAL SALVAGE UNION
AND INTERNATIONAL GROUP OF P&I CLUBS

In the spirit of co-operation, the following Code of Practice is agreed between the International Salvage Union and the International Group of P&I Clubs in relation to all future salvage services to which Article 14 of the 1989 Salvage Convention is applicable or under Lloyd's Form where the Special Compensation P&I Club's (SCOPIC) Clause has been invoked by the Contractor.

1. The salvor will advise the relevant P&I Club at the commencement of the salvage services, or as soon thereafter as is practicable, if they consider that there is a possibility of a Special Compensation claim arising.

2. In the event of the SCR not being appointed under the SCOPIC clause, the P&I Club may appoint an observer to attend the salvage and the salvors agree to keep him and/or the P&I Club fully informed of the salvage activities and their plans. However, any decision on the conduct of the salvage services remains with the salvor.

3. The P&I Club, when reasonably requested by the salvor, will immediately advise the salvor whether the particular Member is covered, subject to the Rules of the P&I Club, for any liability which he may have for Special Compensation or SCOPIC Remuneration.

4. The P&I Clubs confirm that, whilst they expect to provide security in the form of a Club Letter either in respect of claims for special compensation (under Article 14 of the 1989 Salvage Convention) or SCOPIC remuneration (under the SCOPIC Clause), as appropriate, it is not automatic. Specific reasons for refusal to give security to the Contractor will be non-payment of calls, breach of warranty rules relating to classification and flag state requirements or any other breach of the rules allowing the Club to deny cover. The Clubs will not refuse to give security solely because the Contractors cannot obtain security in any other way.

5. In the event that security is required by a port authority or other competent authority for potential P&I liabilities in order to permit the ship to enter a port of refuge or other place of safety, the P&I Clubs confirm that they would be willing to consider the provision of such security subject to the aforementioned provisos referred to in para. 4 above and subject to the reasonableness of the demand.

6. The Contractors will accept security for either special compensation or SCOPIC remuneration by way of a P&I Club letter of undertaking in the attached form - "Salvage Guarantee form – ISU 5" - and they will not insist on the provision of security at Lloyd's.

7. The P&I Club concerned will reply to any request by the salvors regarding security as quickly as reasonably possible. In the event that salvage services are being performed under Lloyd's Form incorporating the SCOPIC clause, the P&I Club concerned will advise the Contractor within two (2) working days of his invoking the SCOPIC Clause whether or not they will provide security to the Contractor by way of a Club Letter referred to in para. 6 above.

8. In the event that salvage services are being performed under Lloyd's Form incorporating the SCOPIC clause, the P&I Clubs will advise the owners of the vessel not to exercise the right to terminate the contract under SCOPIC Clause 9(ii) without reasonable cause.

9. It is recognised that any liability to pay SCOPIC remuneration is a potential liability of the shipowner and covered by his liability insurers subject to the Club Rules and terms of entry. Accordingly, in the event of such payment of SCOPIC remuneration in excess of the Article 13 award, neither the shipowner nor his liability insurers will seek to make a claim in General Average against the other interests to the common maritime adventure whether in their own name or otherwise and whether directly or by way of recourse or indemnity or in any other manner whatsoever.

10. The P&I Clubs, if consulted, and the ISU will recommend to their respective Members the incorporation of the SCOPIC clause in any LOF.

11. This is a Code of Practice which the ISU and the International Group of P&I Clubs will recommend to their Members and it is not intended that it should have any legal effect.
**SKANDINAVISK BJERGNINGSKONTRAKT**  
„No Cure – No Pay“  
Standardformular 1994, godkendt af

<table>
<thead>
<tr>
<th>Sverige</th>
<th>Norge</th>
<th>Danmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sjøassuradörernas Förening</td>
<td>Gjensidige Skibssurunseførenings Komité</td>
<td>Foreningen af danske Søassurandører</td>
</tr>
<tr>
<td>Sveriges Redareförening</td>
<td>Norges Rederiforbund</td>
<td>Danmarks Rederiforening</td>
</tr>
<tr>
<td>Scandinavian Tugowners' Association</td>
<td>Sjøassurandørernes Centralforening</td>
<td>Scandinavian Tugowners' Association</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1. Sted og dato</th>
<th>2. Havariets navn og hjemsted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Ladningen</th>
<th>4. Havariets art</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Underskrift (for bjergeren)</th>
<th>Underskrift (for havariets ejer)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Det aftales herved mellem føreren af skibet nævnt i box 2, herefter kaldet „havaristen“ (eller anden repræsentant for ejeren af havariisten), som med den i box 3 nævnte last er forulykket eller stedt i fare af de årssager, som er nævnt i box 4, og bjergeren, nævnt i box 5, herefter kaldet „bjergeren“, at

1. Bjergeren påtager sig at gøre sit bedste for at bjerge havariisten og dens last og i forbindelse hermed gøre sit bedste for at forhindre, eller formindskede skade på miljøet, jfr. art. 1, d, i Den Internationale Konvention om Bjergning 1989 („Bjergningskonventionen“), og i henhold til nærmere aftale — eller såfremt en sådan ikke foreligger, da efter bjergerens bestemmelse — at bringe havariisten til den havn, der er nævnt i box 6, eller nærmeste sikre havn eller reparationssted.


3. Det vedtages, at artiklerne 1 (a) til (e), 8, 13.1, 13.2, første punktum, 13.3 og 14 i Bjergningskonventionen skal være gældende som en del af denne aftale, hvorfor betalingen til bjergeren skal fastsættes under de betingelser og efter de principper, som er fastlagt i Lloyd’s Standard Form of Salvage Agreement 1990.

4. Under arbejdets udførelse har bjergeren ret til i rimeligt omfang vederlagsfrit at disponere over havariistens tilbehør. Havariisten ejer skal fuldtid samarbejde med bjergeren og straks efter bjergningens afslutning acceptere tilbagelevering af havariisten. Hvis det ikke lykkes at bjerge havariisten og dens ladning, forbeholdes ret til at bjerge dele deraf.

5. Havariisten må ikke forlade den havn eller plads, hvortil den efter bjergningens udførelse er bragt, før der er stillet betydelige bjergeløns garantii for skibet. Ejheller må bjergen ladning fjernes, før der er stillet betydelige bjergeløns garantii herfor.

6. Twister om den bjergeren tilkommende betaling, herunder evt. betaling iflg. art. 3, såvel som enhver anden tvist, der er opstået i anledning af denne kontrakt, skal afgøres endeligt ved voldgift i henhold til de for „Den Skandinaviske Voldgiftsret i Bjergesaægter“ fastsatte voldgiftsregler.

7. En part forpligter sig til at opfylde det, som pålægges ham i voldgiftscrendelend, mod hvilken appel ikke er indgivet inden foreskreven tid, respektive i endelig kendelse fra appelvoldgiftsretten i tilfælde af appel.

De i art. 6 nævnte voldgiftsregler er oprykt på bagsiden af denne kontrakt.
Voldgiftsregler

for Den Skandinaviske Voldgiftsret i bjergesager

1. Begæring om voldgift indgives til The Baltic and International Maritime Council (BIMCO), 161 Bagsværdvej, DK-2880 Bagsværd, Danmark, telefon 44 44 45 00, fax 44 44 45 60, telex 19086, som blandt de faste voldgiftsdommere, jfr. art. 2, udpeger en enevoldgiftsdommere, der skal afgøre tvisten i 1. instans.

2. De faste voldgiftsdommere er for tiden (1994) :
   - Lagdømmere Gunnar Veifling, Oslo
   - Høyesterettadvokat Erling C. Hjort, Oslo
   - Advokat Jan-Fredrik Rafen, Oslo
   - Advokat Jan Erlund, København
   - Advokat Bent Nielsen, København
   - Advokat Lars Rahm, Göteborg
   - Advokat Robert Romlov, Göteborg, og
   - Advokat Jan Melander, Stockholm.

Disse faste voldgiftsdommere er valgt af Sjøassuradørens For- rening, Sverige, Gjensidige Skibsassuranceföreningens Komité, Norge, Sjøassurørerne Sjøcentral, Norge, Forreningen af danske Seasururerer, Sveriges Redereforening, Norges Rederiforbund, Danmarks Rederiforening og Scandinavian Tu- gowners Association i følelseskab, som i følelseskab kan ændre disse valg.


6. Normalt skal voldgiftsbehandlingen gennemføres så hurtigt, at der ikke forløber længere end 6 måneder fra voldgiftsdommen er udpeget til kendelsen afsgives.


Voldgiftsdommenen kan afgøre foreløbig kendelse, hvorved bjergeren tilkendes et aconto beløb, eventuelt mod sikkerhedsstillelse.


10. Ved kendelsen tilkendes der renter af fastsat bjergelen fra 30 dage efter, at bjergelønskravet er rejst, dog tidligt 90 dage efter at bjergelen er afsluttet. Renten er den procentrente, der er foreskrevet i det lands ret, som voldgiftsretten skal anvende ifølge art. 4, dog for norsk rets vedkommende med fratragt af 2%, og bjergelønnen fastsættes i dette lands valuta.

11. En voldgiftsfordeling kan appelleres til appelvoldgift. Dette sker ved skriftlig meddelelse til BIMCO. Er en voldgiftsfordeling ikke appelleret senest 14 dage efter afsgiflen, er den endelig, og en part er pligtig til oplyse det, som pålægges ham ved navnlig en voldgiftsfordeling. Sker dette ikke, kan kendelsen fulbyrdes efter de herfor gældende regler eller om nødvendigt lægges til grund for krav imod parten ved de ordinære domstole.

Appelvoldgiften består af tre af de faste voldgiftsdommere, der udpeges fra sag til sag af BIMCO, som blandt disse udpeger voldgiftsrettens formand. Ved uenighed mellem de 3 voldgiftsdommere i appelvoldgiften afgøres sagen efter stemmeførerhed. I øvrigt finder bestemmelserne om voldgiftsbehandlingen ved 1. instans tilsvarende anvendelse. Den i art. 6 nævnte frist på 6 må- neder regnes fra appellens fremkomst til formanden.
F) **Amicable settlement**

Whenever the master can reach agreement with the other party on an amicable settlement, e.g. in connection with damage caused by the vessel to fixed installations as mentioned in section 8, it would be appropriate to confirm this by asking the counterpart to sign a declaration to that effect. Below is an example of such wording:

(Owners’ letterhead)

m.v. “XX”
(place, date)

It is today mutually agreed between the (Claimant), on behalf of the Owners of pier No. 15, and the master of m.v. “XX” on behalf of the Owners of the vessel, that (amount/currency) is accepted in full and final settlement for jointly inspected damage to (installation) sustained accidentally on the (date).

...............................................                                       ...............................................  
On behalf of Claimant Master
G) Receipt for work performed

Whenever a repairshop or a shipyard requests the master’s approval of a repair invoice upon completion of a job, the master is advised to insert the following reservation next to his signature:

“The extent of work confirmed by the undersigned without prejudice as to prices and subject to the Owners’ approval”.

...............................................
Master
### Section 10

**DEFINITIONS OF INSTITUTIONS AND CONCEPTS IN CONNECTION WITH AVERAGE**

<table>
<thead>
<tr>
<th>English term</th>
<th>Danish term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>Havari</td>
<td>See “Particular Average” and “General Average”.</td>
</tr>
<tr>
<td>Average Adjuster</td>
<td>Dispachør</td>
<td>A person with special expertise in relation to allocation of costs relative to average.</td>
</tr>
<tr>
<td>Average Bond</td>
<td>Havariindeståelse (Havaribond)</td>
<td>A document to be signed by the cargo owner before the cargo is released if, during the voyage, general average costs were incurred (see section 9 D).</td>
</tr>
<tr>
<td>Classification</td>
<td>Klassifikation</td>
<td>A number of societies supervise construction of vessels and periodic inspections of their condition as per specific sets of rules prepared by the individual classification societies, e.g.</td>
</tr>
</tbody>
</table>
|                       |                              | • Lloyd’s Register of Shipping.  
|                       |                              | • American Bureau of Shipping.  
|                       |                              | • Bureau Veritas.  
|                       |                              | • Det Norske Veritas.  
|                       |                              | • Germanischer Lloyd.  
|                       |                              | • Registro Italiano.  
|                       |                              | • Nippon Kaiji Kyokai  
|                       |                              | (The above list of classification societies is not exhaustive)                                                                                                                                          |
| General Average       | Havari grosse (Fælleshavari) | General average occurs when - and only when - an extraordinary sacrifice or expenditure is made or incurred voluntarily and reasonably for the common safety and for the purpose of salvaging assets exposed to common perils of the seas. |
|                       |                              | *Eksempler:*  
|                       |                              | • Salvage award  
|                       |                              | • Tow assistance by engine failure  
|                       |                              | • Jettison of cargo  

38
<table>
<thead>
<tr>
<th>English term</th>
<th>Danish term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hull &amp; Machinery Insurance</td>
<td>Kaskoforsikring</td>
<td>Insurance of vessel and machinery against physical damage as per specific rules. The insurance also provides cover for e.g. salvage award and tow assistance, as well as damage to foreign property after direct contact, e.g. collision with quay, with another vessel, etc.</td>
</tr>
<tr>
<td>Jettison</td>
<td>Kastning</td>
<td>When cargo or equipment is thrown overboard to reduce the weight of the vessel in a perilous situation.</td>
</tr>
<tr>
<td>LOF 2000</td>
<td>Lloyd's Open Form</td>
<td>Salvage agreement - see section 9 E.</td>
</tr>
<tr>
<td>Lloyd's Underwriters</td>
<td>Lloyd's</td>
<td>Insurance organisation in London. Should not be confused with Lloyd's Register of Shipping, which is a classification society.</td>
</tr>
<tr>
<td>Lloyd's Agents</td>
<td>Lloyd's agenter</td>
<td>Agents of Lloyd’s Underwriters worldwide who perform and handle all kinds of average services upon request. These agents are widely respected and are held to be impartial, which is why masters can usually approach a local Lloyd's agent should the Owners’ own insurer not be represented in the given location.</td>
</tr>
<tr>
<td>Particular Average</td>
<td>Partikulær skade</td>
<td>Total or partial average to vessel or cargo other than general average. It should be noted that particular average presupposes the occurrence of an unfortunate incident, whereas damage occurring as a result of voluntary action is usually compensated for as general average.</td>
</tr>
<tr>
<td>English term</td>
<td>Danish term</td>
<td>Definition</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>----------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Perils of the Seas</td>
<td>Søens farer</td>
<td>The term refers only to fortuitous accidents or casualties of the seas and does not include the ordinary action of the wind and waves (Marine Insurance Act 1906, Schedule 1, Rule for Construction 7), e.g. foundering of ship at sea, collisions, unintentional stranding, etc. Something which may happen at sea not something which must happen is the criterion.</td>
</tr>
<tr>
<td>Port of Refuge</td>
<td>Nødhavn</td>
<td>Unplanned arrival in port following an average for the purpose of enabling vessel and/or cargo to complete the voyage.</td>
</tr>
<tr>
<td>Protection and Indemnity Insurance</td>
<td>Reders ansvars-</td>
<td>Covers Owners for special categories of claims and losses, e.g.:</td>
</tr>
<tr>
<td>(P. &amp; I-Clubs)</td>
<td>forsikring</td>
<td>Death</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Personal injury</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Both as regards crew on board and persons performing casual work at port in the service of the Owners, e.g. dock workers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Hospitalisation, medical, medicine and possibly funeral expenses. Repatriation of diseased and injured persons.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Costs of pollution control</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Damage to other vessel or other property sustained without direct contact. Removal of abandoned wreckage where so required by local authorities.</td>
</tr>
<tr>
<td>Protest</td>
<td>Søprotest</td>
<td>If, during a voyage, the vessel has suffered average or incidents which cause the master to suspect damage to vessel and/or cargo, he may lodge a protest (an extended protest) with the local consul, Notary Public or other local authority. (See section 9 C for further details).</td>
</tr>
<tr>
<td>Salvage</td>
<td>Bjærgning</td>
<td>See section 3, item 3.12 for further details.</td>
</tr>
</tbody>
</table>