

Examples of redistribution of salvage payments in GA

(Prepared by Bent Nielsen)

In many cases it will make no difference if salvage payments are allowed in GA. The salvaged parties' shares of the reward will be approximately the same and the allowance in GA will be useless as it will not result in any noticeable redistribution.

It is only in the following 4 situations the allowance of a salvage payment in GA will result in a significant redistribution :

- 1) Where there are 2 or more casualties during the voyage leading to a significant difference between the values in the first port of refuge and the final destination.
- 2) Where there are differential settlements with salvors.
- 3) Where damage to vessel or cargo has been allowed in GA.
- 4) Where it is subsequently realized that a salvaged value was wrongly assessed.

The following examples of such cases may assist in evaluating the problems which could be caused if a salvage reward is not allowed in GA.

It should be noted that the fact that the examples all have the result that the ship-owner's share of the reward is increased in the redistribution does not mean that this will happen in all cases. Other examples may be construed in which the ship-owners gain and the cargo interest loses by the redistribution.

All examples relate to a winter-voyage from Antwerp to Montreal with a project cargo of which one large item is carried on deck. The ship's sound value is USD12mio. The total cargo value is USD10 mio. of which the value of the deck cargo is USD5 mio. The vessel suffers an engine failure and grounds on rocks near Ushant. Salvage tugs pull the vessel off and tow it to Brest. After repairs of the engine and bottom damage the voyage is resumed. The total costs of repairs are USD2 mio. The total salvage reward is USD 4 mio. It is shared in proportion to the salvaged values i.e. cargo USD10 mio and ship USD 10 mio (sound value at USD12 mio. minus repairs at USD 2mio.) Consequently the ship-owners and the cargo interests each pay USD 2 mio to salvors.

EXAMPLE 1) Two or more casualties during the voyage are leading to a significant difference in the values between the first port of refuge and the final destination.

In this example it is assumed that the deck cargo is lost overboard in heavy weather on the voyage from Brest to Montreal. Under YAR Rule XVII a. the contribution to GA shall be made on the basis of the values in the port of destination.

Cargo value in Montreal USD 5 mio. Vessel value USD10 mio. If salvage is allowed in the GA the ship-owners share is 10/ 15 of the reward or USD 2.67 mio. while the cargo interests share is USD1.33 mio. Thus the shipowners must now pay USD 0.67 mio. more and cargo interest USD 0.67mio. less of the reward.

EXAMPLE 2) Differential settlements with salvors.

In this example it is assumed that the ship-owners soon after the casualty settle their share of the reward at USD 1 mio. while the cargo interests insist on arbitration where their share is fixed at USD 2 mio.

If salvage is allowed in GA the total reward at USD 3 mio. is redistributed on the basis of the values in Montreal at USD 10 mio for the ship-owners and the cargo interest respectively. Thus the ship-owners must now carry USD 1.5 mio. of the reward and pay USD 0.5mio.of the arbitration reward against the cargo interest.

EXAMPLE 3) Damage to vessel or cargo has been allowed in GA.

In this example it is assumed that the vessel's bottom is heavily damaged as a result of the refloating and that USD 1 mio. of the costs of repairs relate to this. This refloating loss is allowed in GA .However, under YAR Rule XVII b. such an allowance shall be added to the value of the ship when its contributory value is assessed.

If salvage is allowed in GA the total reward at USD 4 mio. is redistributed on the basis of the ship's contributory value at USD 11 mio and a cargo value at USD 10 mio.

Thus the ship-owners share is 11/21 of the reward and the ship-owners must now carry about USD 2.1 mio and pay about USD 0.1 to the cargo-interests

EXAMPLE 4) A salvaged value was wrongly assessed.

In this example it is assumed that the deck cargo was considered undamaged when the salvage reward was settled. Subsequently however, serious faults are ascertained and the contributory value of the deck cargo assessed to USD 1 mio.

If salvage is allowed in GA the total reward of USD 4 mio. is redistributed on the basis of the ship's contributory value at USD 10 mio. and a cargo value at USD 6 mio.

Thus the ship-owners' share is 10/16 of the reward and the shipowners must now carry USD. 2.5 mio. of the reward and pay USD. 0.5 mio to the cargo-interest.