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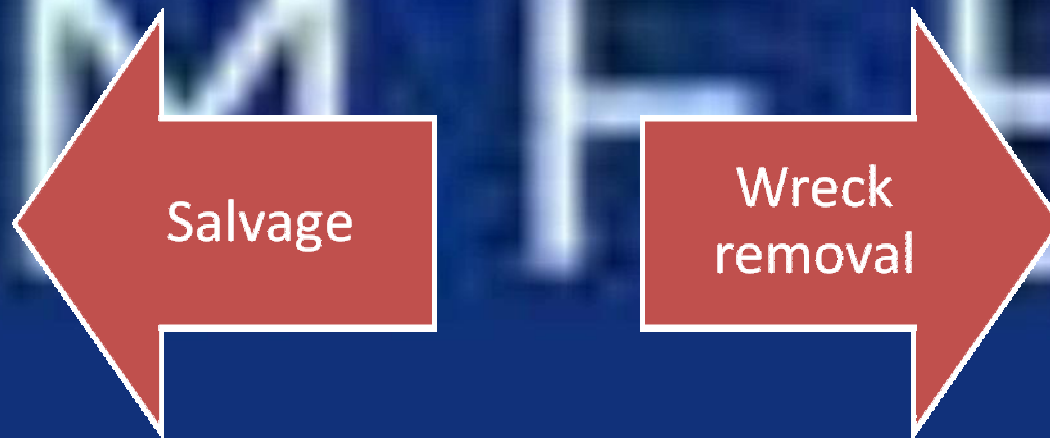
# **SALVAGE AND WRECK REMOVAL**

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Similar operations but at different ends of the spectrum.



## What is the difference? Examples

- Ship fire – Immediate response – salvage
- Engine failure – vessel drifting – response not so urgent – salvage / towage
- Vessel aground – response not so urgent – salvage / wreck removal
- Vessel hard aground – abandoned – wreck removal

## Salvage contract :

- Immediate response – no time to negotiate contract
- Planning / coordination takes place as it happens
- Reward is evaluated after the operation has been completed
- Reward paid by property interests (ship, cargo, etc)

## **Wreck removal contract :**

- No immediate urgency – time to negotiate a contract
- Operation planned prior to commencement of the operation
- The whole operation is evaluated and costed before the start of operations
- Generally paid by vessel's P&I insurers

## **Salvage operation – purpose**

- To save property (ship / cargo)
- To minimise risk / damage to the environment



## Extreme example – ship fire





## **Wreck removal operation – purpose**

- To remove the wreck and cargo
- To prevent pollution
- To comply with obligations (wreck removal order)
- To dispose of the wreck

## Example wreck



Again



# The contracts - Salvage

- Common example – Lloyd's Open Form 2011



## **LOF 2011 - purpose**

- To enable a fair contract that can be agreed by inexperienced people
- No need to negotiate terms such as price or payment
- Has a built in mechanism to value the services provided by Article 13 of the international salvage convention

## **LOF 2011 - purpose**

- Offers protection to all parties
- Binds cargo and other interests
- Best endeavours obligation on the salvor
- No cure no pay
- Provides for the salvor's reward to be secured at termination of services



## Important feature

- Salvor's well rewarded, remunerated for taking the risks, being professional and investing in salvage capability
- Reward generally greater that could be obtained through negotiated rates.



# The contracts – Salvage / Towage



## Consider the situation

- vessel has broken main engine
- Safely afloat but not going anywhere
- Immediate assistance not required but fast response desirable
- There is time to negotiate terms such as price but not every detail of a good contract.



## Towage example contracts:

- Standard form towage contracts such as:
  - TOWCON 2008
  - TOWHIRE 2008

## TOWCON 2008 – main features

- Fixed lump sum price (includes bunker costs but allows for adjustment if replacement bunkers hirer or lower price)
- Provides for stage payments:
  - on signing agreement
  - on sailing of the tug
  - on taking up the tow
  - on arrival at destination

## TOWCON 2008 – main features

- Part I has box layout that is easy to read and complete
- The boxes define the tug, tow and nature of services agreed

## TOWCON 2008 – main features

- Part II sets out all the detailed clauses that you expect in such a charterparty
- Annex A, again in box format allows greater detail / description of the tug and tow



## TOWHIRE 2008 – main features

- Basically the same as TOWCON 2008 but price is based on daily hire
- So there are natural differences to reflect the basis of payment
- Mobilisation payment
- Period of hire
- Demobilisation payment
- Cost of bunkers (included or excluded in the hire)

## TOWHIRE 2008 – main features

- Mobilisation payment
- Period of hire
- Demobilisation payment
- Cost of bunkers (included or excluded in the hire)

# The contracts - Salvage / Wreck Removal



## Consider the situation

- Vessel aground no immediate risk
- No urgency to refloat the vessel
- Vessel and / or cargo still has value and is wanted by owners
- No state intervention ordering removal

## **Battle of the contracts, bidding process**

- Ship owner has time to evaluate the situation
- Ship owner / insurers want to negotiate terms that they consider favourable
- Ship owner wants to control costs
- Ship owner invites bids / tenders

## Feature of this situation

- Time to evaluate what is required
- Time to put together a plan before work starts
- Time to cost the job
- Time to negotiate the contract
- Time to discuss with local authorities (if required)

## Suitable contracts

- Standard for wreck removal contracts but with the objective of saving and redelivering the property

- WRECKHIRE 2010: Daily Hire
- WRECKSTAGE 2010: Lump Sum stage payments
- WRECKFIXED 2010: Fixed Price – No Cure, No Pay



# The contracts - Wreck Removal



## Consider the situation

- Vessel fast aground no immediate risk
- No urgency to refloat the vessel
- Vessel abandoned – has little or no value
- State or port intervention ordering removal of vessel / cargo

## Feature of this situation

- Same as above
- Time to evaluate what is required
- Time to put together a plan before work starts
- Time to cost the job
- Time to negotiate the contract

## **Battle of the contracts, bidding process**

- Ship owner has time to evaluate the situation
- Ship owner / insurers want to negotiate terms that they consider favourable
- Ship owner wants to control costs
- Ship owner invites bids / tenders
- Time to discuss with local authorities if required

## Suitable contracts

- Standard form wreck removal contract but with the objective of removal and disposal of the property
  - WRECKHIRE 2010: Daily Hire
  - WRECKSTAGE 2010: Lump Sum stage payments
  - WRECKFIXED 2010: Fixed Price – No Cure, No Pay

## **WRECKHIRE 2010 – main features**

- Part I, box format used to define the wreck the basic payment details/rates
- Annex I outlines craft and equipment to be used
- Annex II outlines the basic plan for the operation
- Annex III provides format for daily reporting

## **WRECKHIRE 2010 – main features**

- Part II sets out all the detailed clauses that you expect in such a contract to make it work
- Facilitates: changes to the nature of services / operation, termination, delivery or disposal

– WRECKSTAGE 2010: Lump Sum stage payments

– WRECKFIXED 2010: Fixed Price – No Cure, No Pay

- Both similar to WRECKHIRE but with natural differences to account for timing and nature of cost / payment



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