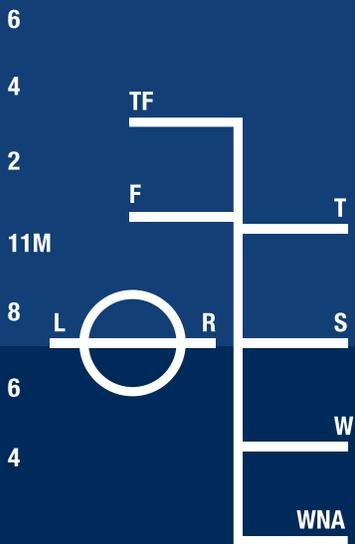
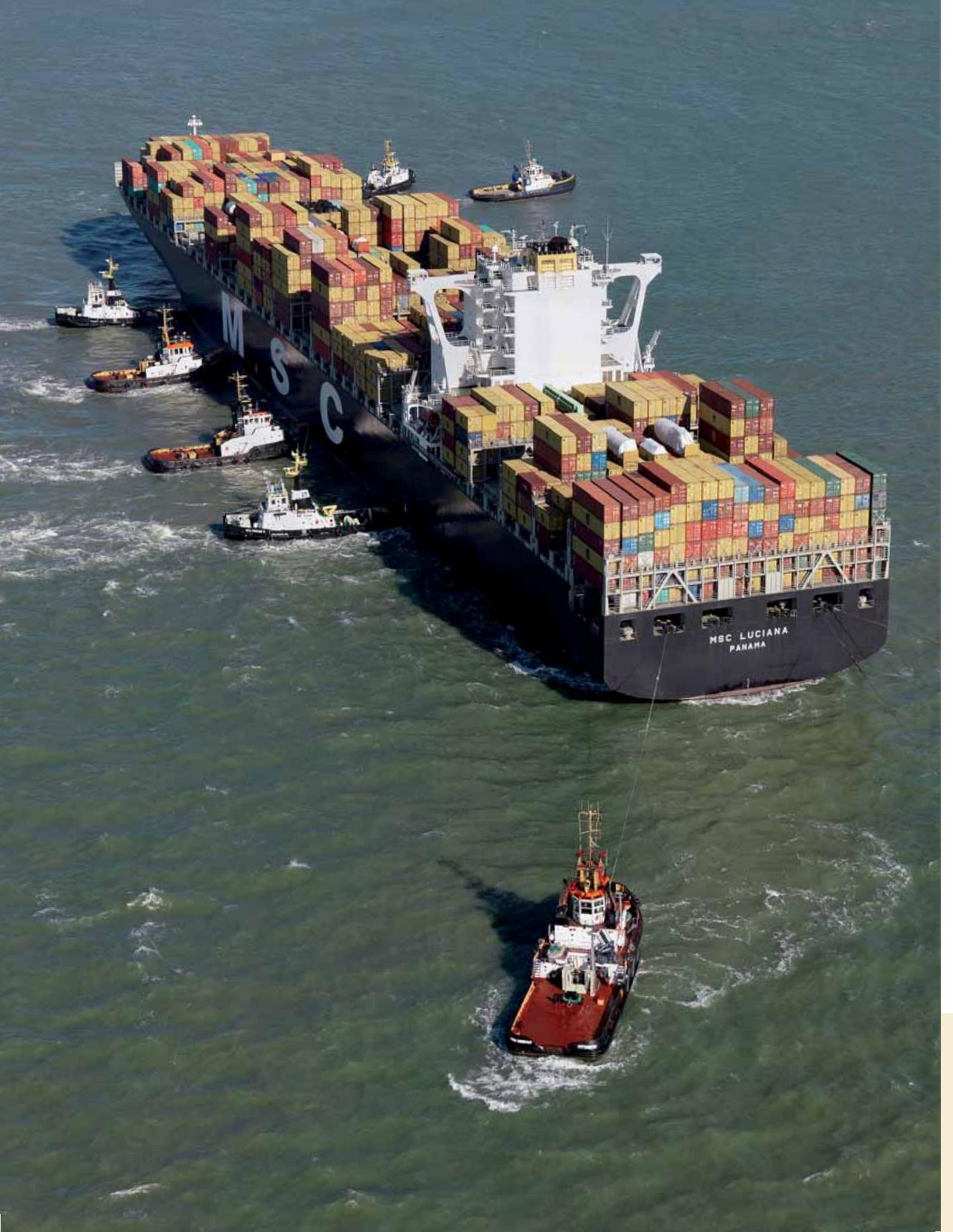


International Salvage Union
Annual Review 2012





International Salvage Union Annual Review 2012

PRESIDENT'S FOREWORD



Marine salvors provide a valuable service to the shipping and marine insurance industries saving them from huge financial loss each year. There are about 1000 serious casualties each year - a small proportion of them are total losses and a larger a number are dealt with without formal salvage intervention. That leaves several hundred cases each year where it is ISU members, the professional salvors, operating on a "no cure, no pay basis", who are prepared to put themselves at financial and physical risk to save life and property.

It was good, therefore, to hear former IMO Secretary General, Efthemios Mitropoulos, praise the salvage industry at our annual conference for Associate Members.

During 2012 we pursued the aim of securing modest changes to the 1989 Salvage Convention to enable proper recognition of, and reward for, the environmental benefit of salvors' work. However, in the face of stiff opposition our proposals were not supported which was a missed opportunity.

There are a number of other issues that we feel strongly about. Decline in the use of Lloyd's Open Form is a concern though it still remains the most commonly-used salvage contract.

We know that there are some misunderstandings about LOF and ISU can play its part to communicate better the great benefits of this contract.

The cost of wreck removal has grown in the past decade and dramatically so in some notable cases. It seems that the increasing influence of national authorities is the main driver of increased cost. ISU recognises that it is a matter of particular concern to the P&I Clubs and that it is in no one's interest if the cost of wreck removal causes adverse impact in the insurance markets.

There continues to be a risk of unfair criminalisation of seafarers and those who respond to emergencies. We are not looking to excuse negligence but it is wrong if responders are made risk averse or even unwilling to intervene in casualty situations. Set in the context of pollution prevention it is particularly troubling and there has been no real progress in the last decade. Other matters of interest to ISU include Places of Refuge; recruitment and development of personnel; investment in new equipment and the cost of tendering for projects.

Finally, we all think about the challenges presented in salvaging mega ships. There are concerns about the salvage industry's ability in this regard. But salvors are innovative problem solvers and I can assure the shipping industry that there will be a salvor ready to intervene and use his best endeavours to save the ship however big it may be.

We believe that members of the ISU provide a vital service to the shipping industry, often working in challenging and dangerous conditions, and we know that it is often only the salvor who stands between a casualty and a catastrophe.

A handwritten signature in black ink, appearing to read 'Andreas Tsavlis'. The signature is written in a cursive style with a long horizontal line extending to the right.

Andreas Tsavlis
President
International Salvage Union

EXECUTIVE COMMITTEE REPORT

The International Salvage Union (ISU) is a company limited by guarantee (not for profit) incorporated in England. It acts as the trade association for marine salvors globally and its principal activity has been the provision of services to its marine salvage company members.

The ISU is governed by a President, supported by a vice-President and an Executive Committee made up of senior managers from the member companies. Day to day business is conducted by the secretariat consisting of a General Manager, supported by the Communications Adviser and Legal Adviser. The ISU operates from a modest office in the City of London.

OFFICERS: President Vice President
 Andreas Tsavlis, Captain Leendert Muller,
 Tsavlis Salvage, Greece *Multraship, The Netherlands*

EXECUTIVE COMMITTEE

Captain Cappy Bisso, *Bisso Marine, USA*
Todd Busch, *Titan Salvage, USA*
Charo Coll, *Boluda Salvage, Spain*
John Halfweeg, *SMIT Salvage, The Netherlands*
Alfred Hubner, *Ultratug, Chile*
Yoshiaki Nishibe, *Nippon Salvage, Japan*
Peter Pietka, *Svitzer Salvage*
Fokko Ringersma, *Mammoet Salvage, The Netherlands*
Joop Timmermans, *Tschudi Offshore & Towage, The Netherlands*
John Witte Jr., *Donjon Marine, USA*

SECRETARIAT General Manager Communications Adviser
 Mark Hoddinott James Herbert
 Legal Adviser
 Rob Wallis



Japanese ISU member, Nippon Salvage, successfully refloated this grounded bulk carrier offshore Korea.

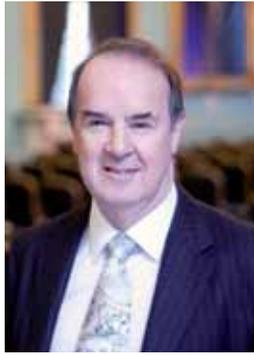
ISU ABBREVIATED ACCOUNTS

International Salvage Union Limited, a company limited by guarantee: Income and Expenditure Account, year ended 31 December 2012

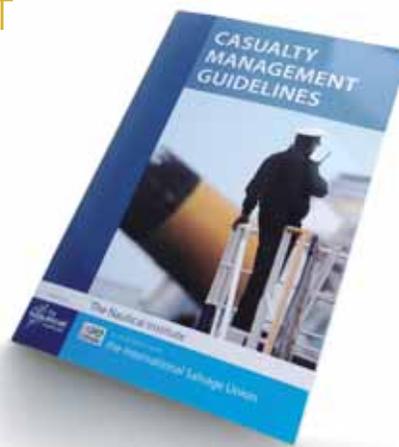
	2012	2011
	£	£
TURNOVER	417,291	345,522
Administrative expenses	366,668	369,851
	<u> </u>	<u> </u>
OPERATING (DEFICIT)/SURPLUS	50,623	(24,329)
Interest receivable	259	247
	<u> </u>	<u> </u>
(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	50,882	(24,082)
Tax on (deficit)/surplus on ordinary activities	52	49
	<u> </u>	<u> </u>
(DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR	50,830	(24,131)
Balance brought forward	23,545	47,676
	<u> </u>	<u> </u>
Balance carried forward	<u>74,375</u>	<u>23,545</u>

International Salvage Union Limited, a company limited by guarantee: Balance Sheet at 31 December 2012

	2012	2011		
Note	£	£	£	£
FIXED ASSETS				
Tangible assets		3,590		4,487
CURRENT ASSETS				
Debtors	40,107		55,845	
Cash at bank	212,946		129,414	
	<u>253,053</u>		<u>185,259</u>	
CREDITORS: Amounts falling due within one year	<u>51,583</u>		<u>35,516</u>	
NET CURRENT ASSETS		<u>201,470</u>		<u>149,743</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>205,060</u>		<u>154,230</u>
RESERVES				
Other reserves		130,685		130,685
Income and expenditure account		<u>74,375</u>		<u>23,545</u>
MEMBERS' FUNDS		<u>205,060</u>		<u>154,230</u>



Mark Hoddinott



2012 was a year of achievement and change at ISU as the organisation strengthened its position as the sole representative of the international marine salvage industry.

In conjunction with the Nautical Institute the Casualty Management Guidelines were produced to much acclaim. The Guidelines provide an excellent explanation of the roles of the various interests in the management of a casualty. The initial print run quickly ran out and several thousand copies have been sold since the launch at the ISU Associate Members' Day in March 2012. That Associate Members' Day attracted a record number of delegates with no fewer than 132 attendees.

The Annual General Meeting at Istanbul in September was also well attended with 70 delegates representing 32 members from 21 different countries. A truly international gathering.

ISU membership has continued to grow and we welcomed Steelmac of Gibraltar; Harbor Star of the Philippines; Spanopoulos Group of Greece; Jadranski Pomorski Servis of Croatia; James Fisher of UK and T&T Salvage Asia of Singapore to full membership. Associate membership also grew by 10%. At the end

of 2012 we had 58 full members and 55 associate members.

We had some changes in personnel with John Noble retiring in March as General Manager and Mike Lacey retiring at the end of the year as Secretary General. The two roles have now been combined into that of the General Manager.

SCOPIC has worked well since its introduction in 1999 but, as with all things, benefits from periodic review and update. A new triennial review of SCOPIC rates has been agreed which will be linked to the US Consumer Prices Index. The first review will see new rates introduced from 1st January 2014. ISU will be considering the workings of SCOPIC as the year goes on and we look forward to discussing its evolution with insurers.

This year we will produce our first Strategic Plan which will set out the aims and objectives of the ISU for the next five years. There are many challenges ahead, the continuing decline of Lloyd's Open Form and the mounting cost of wreck removal are just two of them, and we look forward to working with our full members, associate members and stakeholders in the marine industries as we address the issues.

A global membership



Legal aspects of the work of the ISU centred on the issue of environmental salvage awards. We made a good case for our proposals for changes to the 1989 Salvage Convention.

The proposals were intended to introduce a salvage award that recognises salvors' efforts to protect the environment during salvage operations and were presented at the Comité Maritime International Conference in Beijing in October. However our initiative was not widely supported which, as the President notes in his foreword, was disappointing.

The efficient working of the Lloyd's Open Form (LOF) salvage contract continues to be an important part of our legal work. During the year, the issue of the provision of security for Arbitrators and the Council of Lloyd's in LOF arbitrations has, after lengthy discussions, been concluded. There is now a guarantee form issued by BankServe which a salvor would be required to provide once an Arbitrator has been appointed. It follows the amendments made to LOF and the Lloyd's Standard Salvage and Arbitration Clauses (LSSA) that were published as LOF 2011.

"International conventions affect the salvage industry and we continue to monitor their status and impact."

The 2010 Editions of the new BIMCO/ ISU Wreck Removal/Marine Services Agreements "Wreckhire", "Wreckstage" and "Wreckfixed" are now in regular use, having been published by BIMCO in 2011. BIMCO practice is to give the Agreement the year in which discussions on publication or amendment commenced which was 2010.

International conventions affect the salvage industry and we continue to monitor their status and impact. The Nairobi Wreck Removal Convention, for example, has now had six ratifications but it will be some considerable time before it comes into force.

The Bunker Spills Convention is now in force and excludes "responder immunity". It is a matter of real concern to salvors. The Hazardous and Noxious Substances Convention and its Protocol are still some considerable way from entering into force. ISU members have also been advised that the UNESCO Convention on Cultural Heritage may be relevant to their operations and that it is in force and has been ratified by a considerable number of countries.

ISU members have also been briefed about the impact of international sanctions against Iran and how they might affect their operations. Elsewhere, ISU has given consideration to the Landmark consortium's draft proposals for an insurance policy for large containership operators to provide LOF salvage and General Average security – streamlining the administration of cases by agreeing a nominal, standard value for each container carried. ISU looks forward to contributing further as the proposal matures.

During the year we have also worked on issues relating to the cadre of Special Casualty Representatives aiming to improve clarity of the role and responsibilities; the powers of SCRs and the complaints procedure and dispute guidelines.

The eastern seaboard of the United States was battered by Superstorm Sandy in late October. The strong winds combined with high tides to create a major storm surge causing substantial damage and disruption. Large parts of New York's lower Manhattan were flooded.

An ISU member was heavily involved in the response effort working alongside the US Army Corps of

Engineers; US Navy; Port Authority of New York and New Jersey and the police and fire departments, as well as various transport organisations.

ISU members have a proud track record of responding to natural disasters, helping in recent years following earthquakes in Chile and Haiti and hurricanes on the US Gulf Coast. ISU's Japanese members responded to the great Tsunami in 2011.



Salvage operations have stayed in the wider global news with continuing work on the wreck of the container ship Rena which went aground off New Zealand's North Island in late 2011.

ISU members were involved in the initial response to stabilise the vessel and remove its containers and bunker fuel. The team were praised by the mayor of the local district who said: "The salvors have done an amazing job under treacherous conditions to avoid an environmental disaster." A different ISU member was then contracted to remove large parts of the wreck. To protect the reef, small sections were cut from the hull and carried to nearby a barge by helicopter.

The Costa Concordia captured the attention of the world in early 2012. The cruise liner, carrying 4200 passengers and crew, hit rocks, took on water and subsequently grounded off the western Italian Island of Giglio. 32 passengers and crew lost their lives.

ISU members were contracted to undertake the removal of oil and waste water from the vessel. Divers and hot tapping were extensively used and over 2000 tonnes of oil were removed.

Following a tender process, another ISU member was then awarded the job to remove the wreck in what is an extremely complex and heavily engineered solution intended to minimize the impact on the environment. The operation is ongoing.



The ISU conducts an annual survey of the success of its members in preventing marine pollution. The results of its pollution prevention survey for 2012 show that the quantity of pollutants salvaged overall was significantly up on the 2011 numbers.

The increase is explained by the inclusion of a small number of substantial coal cargoes this year. There was a decrease in the number of services performed by ISU members compared with the previous year.

The total of all pollutants salvaged in 2011 was 810,068 tonnes compared with 496,331 tonnes in 2011. It is a rise of 63%. The average annual figure for the 18 years for which data is available has dipped to just below one million tonnes of potential pollutants salvaged per year. It mirrors the trend of a decreasing number of casualties which chiefly reflects improvements to ship and operational safety over the past two decades.

In 2012 the major change was a significant increase in the quantity of "other pollutants" salvaged – up 691% from 63,338 tonnes in 2011 to 501,348 tonnes this time. However, the 2011 figure was historically low and the 2012 includes some large, bulk cargoes, notably of coal.

The quantity of oil cargoes salvaged went down by 59% from 258,647 tonnes in 2011 to 104,665 tonnes in 2012. This category is subject to dramatic change due to the potentially large volumes of oil cargo carried by a single vessel. The 2012 number represents, for example, only one major cargo.

There were 188 services carried out by ISU members. The Lloyd's Open Form salvage contract continued to be the most widely used contract with 52 services (55 in 2011). 32 services were carried out under towage contracts; 31 services were carried out under the Japanese form. Wreck contracts accounted for 42 of the services and other types of contract were used in 36 services.

This year all potentially polluting cargo was recorded – including bulk coal and ore. Not all of the potential pollutants which were salvaged were at imminent risk of spilling into the sea but there can be no doubt that ISU members' services have been of great benefit in helping to protect the marine environment from potential damage. Some context is given by the fact that in the United States' worst environmental disaster, 700,000 tonnes of oil was released into the Gulf of Mexico in 2010 from the Macondo Well.

The survey results also show how variable the industry is. A small number of large cargoes can cause significant differences year on year. But it only takes one major casualty to cause an environmental catastrophe.

The ISU's Pollution Prevention Survey began in 1994. In the 18 years to end-2012, ISU salvors have salvaged 17,857,100 tonnes of potential pollutants, an average of just under one million tonnes per year. This consists of 12,976,612 tonnes of oil cargoes; 1,159,719 tonnes of chemicals; 1,509,955 tonnes of bunker fuel and 2,519,491 tonnes of "other pollutants".

2011 ISU POLLUTION PREVENTION RESULTS			
	2010	2011	% variation
Number of services	166	221	+33%
Crude oil salvaged	195,300	258,647	+32%
Bunker fuel salvaged	89,367	123,521	+38%
Chemicals salvaged	32,561	50,825	+56%
Other pollutants	257,158	63,338	-75%
Totals	574,386	496,331	-14%
All figures in tonnes			

ISU has maintained a programme of corporate communications and prides itself on its strong relationships with the media.

We have seen the publication of a number of salvage-related articles in the maritime press. ISU has reacted effectively to media interest in salvage issues during the year and liaised with its members on media matters. In the aftermath of the Costa Concordia case, ISU spokesmen undertook large numbers of interviews, both for written and broadcast media.

ISU has proactively communicated with a range of audiences on its key issues. It has provided speakers for a number of significant conferences and seminars, including a keynote speech at the biennial International Tug and Salvage Conference in Barcelona.

ISU's quarterly newsletter, Salvage World, continues to receive positive feedback and gives an excellent platform from which to communicate about members' news, operations and the business of the ISU.

During the year we have undertaken a substantial re-design and technical upgrade of our website.

Media relations

Working with marine journalists to answer their questions and provide relevant editorial contributions.

Salvage World is the ISU's well-regarded quarterly newsletter.

October 2012 INTERNATIONAL SALVAGE UNION

ISU President holds talks with China's Minister of Transport

ISU President, Andreas Tsavirits, held talks with China's Minister of Transport, Xu Zu Yuan, following the Comité Maritime International's (CMI) conference in Beijing in October.

The in-depth discussions covered general shipping and salvage issues and in particular the issue of fair reward for salvors for the benefit their operations confer on the marine environment. Mr Yuan said on behalf of China he was disappointed that the CMI decided not to support changes to the 1989 Salvage Convention. He made clear his support for ISU on the issue and expressed his hope that ISU will be successful in its continuing work on the matter with the P&I Clubs and others.

The minister also indicated that China welcomes further dialogue with ISU on matters of mutual interest. The growth of sea trade with China has expanded significantly in the last decade and salvage in Chinese waters is an important issue for salvors. China's overarching salvage business, China Rescue and Salvage is a member of the ISU.

Describing events in Beijing Andreas Tsavirits said: "ISU is disappointed that the CMI Conference did not support its proposals for modest change to the 1989 Salvage Convention. ISU is nevertheless grateful to those countries which did support change. I am also grateful for the supportive comments from China's Minister of Transport in my meeting with him and we will continue to work to ensure that salvors are properly rewarded and that the framework within which salvage operations are conducted encourages innovation, investment and global readiness to intervene in casualty situations."

Car carrier disaster

On 5 December 2012, RoRo car carrier BALTIC ACE - 148 m, 7387 deadweight - was in collision with the container ship CORVUS J in the southern North Sea while underway from Zeebrugge, Belgium to Finland, carrying a cargo of more than 1000 cars. The incident took place some 40 kilometres off the Dutch coast south east of Rotterdam in one of the busiest shipping lanes in the world.

After the collision, BALTIC ACE began taking on water, capsized and sank within 15 minutes. CORVUS J was severely damaged and her bow was bent but she was not in danger of sinking and joined the search for survivors.

The weather conditions with three metre waves and snow, made the rescue operation difficult. 13 crew members, including the ship's Polish captain, were winched to safety by helicopters or picked up by nearby ships. The remaining 11 crew were either confirmed to have lost their lives or missing presumed dead.

The incident has strong echoes of the sinking of the car carrier, Tricolor which sank off France following a collision with a container ship in 2002.

while on passage from Zeebrugge to Southampton with a cargo of 2000 cars. The authorities ordered the removal of the wreck which was a major hazard to navigation. A consortium of Smit, Scalds URS and Multirship conducted the lengthy operation.

Elsewhere in the North Sea 11 crew members were winched to safety from the offshore standby vessel Vos Sailor after it was damaged and took on water about 120 miles off Aberdeen in bad weather. One crew member lost his life. The vessel was towed to safety.

ISU website

During 2012 ISU has undertaken a project to upgrade and update its website. www.marine-salvage.com aims to be the key resource for people interested either generally or professionally in salvage matters.

The website is already popular and receives an average of 4300 visitors per month, which results in 70,000 'hits' per month, viewing 12,000 pages.

Tracking data shows that most visitors come from the Netherlands, UK, Greece, Italy, Singapore.

THE INTERNATIONAL SALVAGE UNION

WELCOME TO THE ISU

SAVING LIVES, SHIPS AND CARGO. PROTECTING THE MARINE ENVIRONMENT.

OUR QUARTERLY NEWSLETTER

THE LATEST FROM THE

NAUTICAL

LOF



The ISU is to introduce a Meritorious Service Award. The award will not be annual but instead will be made ad hoc to recognise an individual, or individuals, who have made an exceptional and outstanding contribution to the marine salvage industry.

This could be in a single act, or for an effort made over a period of time. The contribution can be in any form, for example an act of extreme bravery during a salvage operation; an outstanding contribution towards the success of a difficult salvage operation or series of operations. It could be for a notable innovation; for conduct in severe climatic conditions or for work that benefitted the whole salvage industry or environment; long and meritorious service in the industry could be worthy of the award.

The award will be considered by the ISU Executive Committee when there are nominations which should be made to the General Manager. Those receiving

the award will be presented with a certificate and a specially struck medal.

Examples of exceptional contributions made to the industry before the award was inaugurated include a Titan Salvage team involved in the dramatic, cliff-top rescue of the 25 crew members onboard the grounded cargo ship Fedra in Gibraltar (above).

The Titan team was in Gibraltar managing another salvage operation, the New Flame, when the bulk carrier Fedra ran aground during storm force weather. The vessel rapidly broke in two. Despite hurricane force wind and rain the Titan staff risked their own lives using a crane swinging a man-basket and harness from the cliffs above the vessel to rescue the stranded crew as the vessel crashed against the rocky cliff.

Another example is the exceptionally long service of Mr Michalis Pagonis who has loyally served Tsavlis Salvage for 60 years, a remarkable achievement.



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